GlobalCapital p.l.c.

Annual Report & Financial Statements

06

GlobalCapital

Together through life

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SHAREHOLDERS
Growth means strengthening the company by proactively taking on new opportunities that generate more distributable profits and a wider, more consistent, range of revenue streams.

GROWTH

EMPLOYEES
Growth means increasing job security and potential by offering new opportunities to all those who have the ambition, drive and skills to achieve more.

GENERAL PUBLIC
Growth means confirming our support to the community we operate in because we owe our success to the people who believe in our dream and make it a reality.

CLIENTS
Growth means further enhancing our capabilities of offering one-stop service solutions in a customer-centric environment be it for personal or corporate needs.

Today's initiatives determine our future growth

I am delighted to report that GlobalCapital p.l.c. delivered another strong set of financial results for 2006. Our results have registered growth over the previous year, despite a constantly changing and increasingly competitive business environment. This growth is coupled with significant corporate investment in our human resources, processes and systems. This is indeed a tribute to the hard work and outstanding commitment by all the GlobalCapital team.

Financial performance The Group's profit before tax increased by 20.8% to Lm3,171,685, with earnings per share increasing by 26.2% to 15c4 and a continued strengthening of our balance sheet with net asset value increasing by 13.2% to Lm12,678,819.

Interestingly, over 2006 we have seen that GlobalCapital p.l.c. shares were the best performing shares on the Malta Stock Exchange registering a 57% increase in share price.

These results allow the Board of Directors to confidently recommend the payment of a final gross dividend of 1c0 per share together with a special gross dividend of 5c0 per share. Taking into consideration the interim gross dividend of 2c0 per ordinary share paid in September 2006, the total gross dividend payout for 2006 amounts to 8c0 per share, compared to 2005 gross dividend payment of 6c0 per share. This represents a total gross dividend of Lm 1,056,604 in 2006, an increase of 33.3% over the Lm 792,453 in 2005.

As in previous years, the Company's policy is to distribute a fair percentage of its total profits, whilst at the same time looking towards retaining and reinvesting part of the profits to grow the business further.

Għandi pjaċir nirrapporta li GlobalCapital p.l.c. ħabbret riżultati finanzjarji b'saħħithom għall-2006. Ir-riżultati tagħna urew tkabbir fuq is-sena ta' qabel, minkejja li l-ambjent kummerċjali qiegħed kull ma jmur jinbidel u jsir iktar kompetittiv. Dan it-tkabbir sar fi sfond ta' investiment korporattiv sinifikanti fir-riżorsi umani, il-proċessi u s-sistemi tagħna. Dan tabilħaqq jagħmel ġieħ għax-xogħol iebes u l-impenn straordinarju tat-tim kollu ta' GlobalCapital.

Andament finanzjarju *Il-profitt tal-Grupp qabel il-ħlas tat-taxxa żdied b'20.8% għal Lm3,171,685, bil-qligħ għal kull sehem jiżdied bi 26.2% għal 15ċ4 u t-tisħiħ kontinwu tal-karta tal-bilanċ tagħna bil-valur ta' l-assi netti jiżdied bi 13.2% għal Lm12,678,819.*

Interessanti li wieħed jinnota li matul l-2006 rajna lill-ishma ta' GlobalCapital p.l.c. jkunu l-ishma bl-aħjar wirja fil-Borża ta' Malta, fejn irreġistraw żieda ta' 57% fil-prezz tagħhom.

Dawn ir-riżultati għamluha possibli għall-Bord tad-Diretturi li b'fiduċja jirrikmandaw il-ħlas ta' dividend gross finali ta' 1ċ0 għal kull sehem flimkien ma' dividend gross speċjali ta' 5ċ0 għal kull sehem. Meta wieħed jikkunsidra id-dividend gross interim ta' 2ċ0 għal kull sehem ordinarju li tħallas f'Settembru 2006, it-total tad-dividend gross li tħallas fl-2006 jammonta għal 8ċ0 għal kull sehem, meta mqabbel mal-ħlas ta' dividend gross ta' 6ċ0 għal kull sehem fl-2005. Dan jirrappreżenta totali tad-dividend gross ta' Lm 1,056,604 fl-2006, żieda ta' 33.3% fuq Lm 792,453 fl-2005.

Bħas-snin l-imgħoddija, il-politika tal-Kumpanija hija dik li tiddistribwixxi perċentwal ġust tal-profitti kollha tagħha, filwaqt li fl-istess ħin naraw li jinżammu u jiġu investiti mill-ġdid parti mill-profitti biex l-attività kummerċjali tkompli tikber.

Our vision In the first months of 2006, GlobalCapital underwent a major rebranding exercise which was a visual manifestation of our strategy to create a true one-stop service point in financial services for our clients. We can comfortably say that today GlobalCapital offers one of the widest spectrum of financial services in the Maltese market through our main pillars of service: Investments, Insurance and Property. Similarly, we aim to be leaders in the pensions market once the necessary regulatory and legislative reforms are introduced. In order to fully develop our vision we need sound human, technological and financial resources and great emphasis is placed on acquiring such resources.

Our €17 million bond issue in 2006 was not only an encouraging success for the Group but also an important milestone in our vision. This issue has given us the necessary financial strength to look at new ventures and investments that will generate further growth and profit for our shareholders.

A strategy built on people Finding resources for specific roles is not easy, while finding quality and talent can be even harder. As we believe in the importance of our staff and the need to work as one motivated team we have invested significantly in our Human Resources and Development. More importance is being given to the training and development of our individual members and full Continuous Development Programmes have been designed for each person or department within the Group. We have also embarked on a series of team building activities which will serve to further enhance the relationships amongst staff and reinforce team spirit. Further to this, the Group has identified a location to be developed as a training centre for all members of staff focusing primarily on technical, customer service and information technology skills.

Il-viżjoni tagħna *Fl-ewwel xhur ta' l-2006, GlobalCapital għaddiet minn eżerċizzju kbir ta' rebranding li kien turija ta' l-istrateġija tagħna biex verament noħolqu one-stop service point tas-servizzi finanzjarji għall-klijenti tagħna. Inħossuna komdi ngħidu li llum GlobalCapital toffri wieħed mill-iktar firxiet wiesgħa ta' servizzi finanzjarji fis-suq Malti permezz tal-oqsma ewlenin tas-servizz: l-Investimenti, l-Assigurazzjoni u l-Propjetà. Bl-istess mod, qed nimmiraw ukoll li nkunu mexxejja fis-suq tal-pensjonijet ladarba jidħlu r-riformi meħtieġa fir-regolamenti u l-liġijiet. Biex niżviluppaw b'mod sħiħ il-viżjoni tagħna għandna bżonn ta' riżorsi umani, teknoloġiċi u finanzjarji b'saħħithom u qegħdin nagħmlu emfażi kbira fuq l-akkwist ta' dawn r-riżorsi.*

Il-ħruġ ta' bonds ta' €17-il miljun fl-2006 ma sarrafx biss f'suċċess inkoraġġanti għall-Grupp iżda kien ukoll tappa importanti fil-viżjoni tagħna. Dan il-ħruġ tana s-saħħa finanzjarja meħtieġa biex inħarsu lejn proġetti u investiment ġodda li se jiġġeneraw iktar tkabbir u profitt għall-azzjonisti tagħna.

Strateġija msejjsa fuq l-impjegati *Li ssib ir-riżorsi għal rwoli speċifiċi mhix ħaġa faċli, filwaqt li ssib kwalità u talent tista' tkun saħansitra iktar diffiċli. Minħabba li nemmnu fl-importanza tal-impjegati tagħna u fil-ħtieġa li naħdmu bħala tim wieħed motivat, investejna ħafna fir-Riżorsi Umani u l-Iżvilupp. Qed tingħata iktar importanza lit-taħriġ u l-iżvilupp tal-membri individwali tagħna u ġew iddisinjati Programmi ta' Żvilupp Kontinwu għal kull persuna jew dipartiment fi ħdan il-Grupp. Bdejna wkoll serje ta' attivitajiet ta' team-building li se jgħinu biex ikomplu jitjiebu r-relazzjonijiet bejn il-ħaddiema u biex jissaħħaħ l-ispirtu ta' tim. Iktar minn hekk, il-Grupp identifika post li se jiġi żviluppat bħala ċentru ta' taħriġ għall-ħaddiema kollha, li se jiffoka primarjament fuq ħiliet tekniċi, dawk ta' servizz lill-konsumatur u ħiliet fit-teknoloġija ta' l-informatika.*

This bond issue has given us the necessary financial strength to look at new ventures and investments that will generate further growth and profit for our shareholders.

Supporting our community An important function of organisations such as GlobalCapital is that of contributing to the development of the communities they work in. GlobalCapital firmly believes in this aspect of its business and, over the year, we have made various direct and indirect contributions to a number of non-profit institutions. On an annual basis the Group embarks on a Christmas charity event where, with the support of the members of staff, funds are generated which, in turn, are distributed amongst various organisations. Our goal is that as the Group grows, the contribution to the community grows accordingly. In this regard, the Board of Directors has approved the setting up of a Foundation with a specific mission statement which will add further to our Corporate Social Responsibility commitment.

Regulation This year saw the introduction of a series of new regulations and the initial discussions for introduction of further regulations in 2007. The objective of these regulations is the harmonisation of financial services regulations across the European Union member states thus allowing us to passport services to and from other EU member states more easily. We welcome this development as we are sure that this will offer us further opportunities for growth.

It is pertinent to point out that a legal notice was issued earlier on in the year introducing new rules that regulate the calculation of performance fees with respect to local retail collective investment schemes. These new regulations, will come into effect at the beginning of the new financial year of the relevant collective investment schemes.

The Group has entered into discussions with, and made representations to, the Regulator with the aim of maintaining the fee structure as originally approved, by the same Regulator, and to prevent the negative effect that these changes can have on GlobalCapital Fund Advisors Ltd.

Appoġġ lill-komunità tagħna *Funzjoni importanti ta' organizzazzjonijiet bħal GlobalCapital hija dik li jikkontribwixxu għal-iżvilupp tal-komunitajiet li jaħdmu fihom. GlobalCapital temmen bis-sħiħ f'dan l-aspett ta' l-attività kummerċjali tagħha u matul is-sena għamilna bosta kontribuzzjonijiet diretti u indiretti lil numru ta' istituzzjonijiet non-profit. Fuq bażi annwali, il-Grupp jorganizza avveniment ta' karità fi żmien il-Milied fejn bl-appoġġ tal-ħaddiema jiġu ġġenerati fondi li imbagħad jitqassmu lil numru ta' organizzazzjonijiet. L-għan tagħna huwa li hekk kif jkompli jikber il-Grupp, bl-istess mod ikompli jikber il-kontribut tagħna lill-komunità. F'dan ir-rigward, il-Bord tad-Diretturi approva t-twaqqif ta' Fondazzjoni b'għanijiet speċifiċi li se jkabbru l-impenn tar-Responsabiltà Soċjali Korporattiva tagħna.*

Regolamentazzjoni *Din is-sena rat id-dħul ta' serje ta' regolamenti ġodda u l-bidu ta' diskussjonijiet għad-dħul ta' iktar regolamenti fl-2007. L-għan ta' dawn ir-regolamenti huwa l-armonizzazzjoni tar-regolamenti tas-servizzi finanzjarji madwar l-istati membri ta' l-Unjoni Ewropea biex b'hekk inkunu nistgħu ngħaddu servizzi lil u mingħand stati membri oħrajn ta' l-UE b'mod iktar faċli. Nilqgħu tajjeb dan l-iżvilupp minħabba li ninsabu ċerti li dan se joffrilna iktar opportunitajiet għal tkabbir.*

Tajjeb wieħed jinnota li aktar kmieni s-sena l-oħra nħareġ avviż legali li introduċa regoli ġodda li jirregolaw il-kalkolu tal-ħlas fuq performance fees marbuta ma' l-iskemi lokali ta' investiment kollettiv retail. Dawn ir-regolamenti ġodda, se jidħlu fis-seħħ fil-bidu tas-sena finanzjarja tal-kumpaniji ta' l-investiment rispettivi.

Il-Grupp daħal f'taħdidiet ma, u għamel rappreżentazzjonijiet lir-Regolatur bl-għan li tibqa' l-istruttura oriġinali ta' dawn il-fees, approvata mill-istess Regolatur, u li jipprevjeni l-effett negattiv li dan it-tibdil jista' jkollu fuq GlobalCapital Fund Advisors Ltd.

Business development Our retail network remains an important element in our distribution capability and we have seen a significant investment in our sales offices. In this respect, the most recent establishments are: a new sales office for our retail clients in Balzan, a Private Clients office in Ta' Xbiex which caters solely for our high net worth clients, along with a representative office in Libya.

GlobalCapital continues to grow and I am glad to state that, over the years, we have witnessed strong consolidation of our business. Nonetheless, we believe that there is considerable room for growth, both within the local market as well as excellent opportunities for overseas growth. Identifying international markets is a key element in our growth strategy, and as a result, we have made our first tangible step through the establishment of an overseas representative office.

In accessing new markets to grow our business further we are on the constant look-out for possible partners who can add value to our business; or other organisations which we could acquire or partner with in order to have a stronger foundation for such business development activities.

In the property market we have seen considerable returns on carefully selected investments both locally and overseas. A number of exciting projects are currently in progress, some of which will come into fruition over the short to medium term. In selecting such properties, we look at projects where our involvement can add value and which, over the years, can significantly contribute to the profits of the Group. The establishment of a real estate agency in 2006 is yet another way of making our acquired expertise work for our individual clients be they of retail, corporate or high-net-worth nature.

L-iżvilupp ta' l-attività kummerċjali *Ix-xibka ta' distribuzzjoni tagħna tibqa' element importanti fil-kapaċità tad-distribuzzjoni tagħna u matul is-snin rajna investiment fis-sales offices tagħna. F'dan ir-rigward, l-iktar stabbilimenti reċenti kienu: sales office ġdid f'Ħal Balzan għall-klijenti retail tagħna, uffiċju għal Private Clients f'Ta' Xbiex għall-użu esklussiv tal-klijenti high net worth tagħna, kif ukoll uffiċju rappreżentattiv fil-Libja.*

GlobalCapital tkompli tikber u għandi l-pjaċir ngħid li matul is-snin rajna konsolidazzjoni b'saħħitha tal-attività kummerċjali tagħna. Madankollu, nemmnu li għad hemm ħafna lok għal tkabbir, kemm fi ħdan is-suq lokali kif ukoll opportunitajiet eċċellenti għal tkabbir barra minn xtutna. Li nidentifikaw swieq internazzjonali huwa element importanti ħafna fl-istrateġija tagħna għat-tkabbir u b'riżultat ta' dan għamilna l-ewwel pass konkret permezz tat-twaqqif ta' uffiċju rappreżentattiv barra minn Malta.

Biex nidħlu fi swieq ġodda sabiex inkomplu nkabbru l-attività kummerċjali tagħna qegħdin dejjem infittxu imsieħba li jistgħu iżidu l-valur ta' l-attività kummerċjali tagħna; jew organizzazzjonijiet oħra li nkunu nistgħu nakkwistaw jew nissieħbu magħhom biex ikollna pedament iktar sod għal dawn l-attivitajiet ta' żvilupp kummerċjali.

Fis-suq tal-propjetà rajna redditi konsiderevoli fuq investimenti magħżula tajjeb kemm lokalment kif ukoll barra minn xtutna. Għandna numru ta' proġetti eċitanti għaddejjin, u ftit minnhom se jkunu qed iħallu l-frott fuq medda qasira u medja ta' żmien. Fl-għażla ta' din il-propjetà, nħarsu lejn proġetti fejn l-involviment tagħna jista' jżid il-valur u li matul is-snin jistgħu jikkontribwixxu b'mod sinifikanti għall-profitti tal-Grupp. It-twaqqif ta' l-aġenzija tal-propjetà fl-2006 huwa mod ieħor kif qed nħaddmu l-għarfien espert li akkwistajna għall-ġid tal-klijenti tagħna, kemm jekk huma ta' tip li jinvestu fil-propjetà, korporattivi jew high-net-worth.

Today's initiatives are what determine our future growth, as I have no doubt that today's results are attributable to the many initiatives we have constantly rolled out in the past. I assure you that this momentum will be sustained in the years to come.

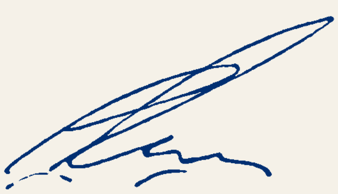
Looking ahead The Group is constantly looking at new ventures to create further diversification and introduce new revenue streams. In this regard we are currently in discussions with the relevant Regulators to expand our existing portfolio of services. We are confident that these fruitful and constructive discussions will materialise into new and exciting business opportunities. In the longer term, through the introduction of new services, we aim to further consolidate our current business model.

While competition gets stiffer and regulations become tighter, the market still offers us new and exciting opportunities. With your support as shareholders, direction from the Board of Directors, and commitment from our staff, we are determined to take advantage of these opportunities to continue delivering a consistent return to the investors that believed in us along the years.

L-inizzjattivi tal-lum huma dawk li se jiddeterminaw it-tkabbir tagħna fil-ġejjieni bl-istess mod kif, m'għandix dubju, ir-riżultati tal-lum ġew wara ħafna inizzjattivi li ħadna l-imgħoddi. Nassigurakom li dan il-pass se jinżamm fis-snin li ġejjin.

Inħarsu 'l quddiem *Il-Grupp dejjem ifittex opportunitajiet ġodda biex joħloq iktar diversifikazzjoni u biex tintroduċi sorsi ġodda ta' dħul. F'dan ir-rigward, bħalissa qegħdin f'taħdidiet mar-Regolaturi relevanti biex nespandu l-portafoll eżistenti tas-servizzi li noffru. Aħna fiduċjużi li dawn it-taħdidiet utli u kostruttivi se jwasslu għal opportunità ġdida u eċitanti ta' attività kummerċjali. Fuq medda twila ta' żmien, qed nimmiraw biex nintroduċu servizzi ġodda li se jikkonsolidaw u jqarrbu flimkien il-mudell ta' attività kummerċjali li għandna bħalissa.*

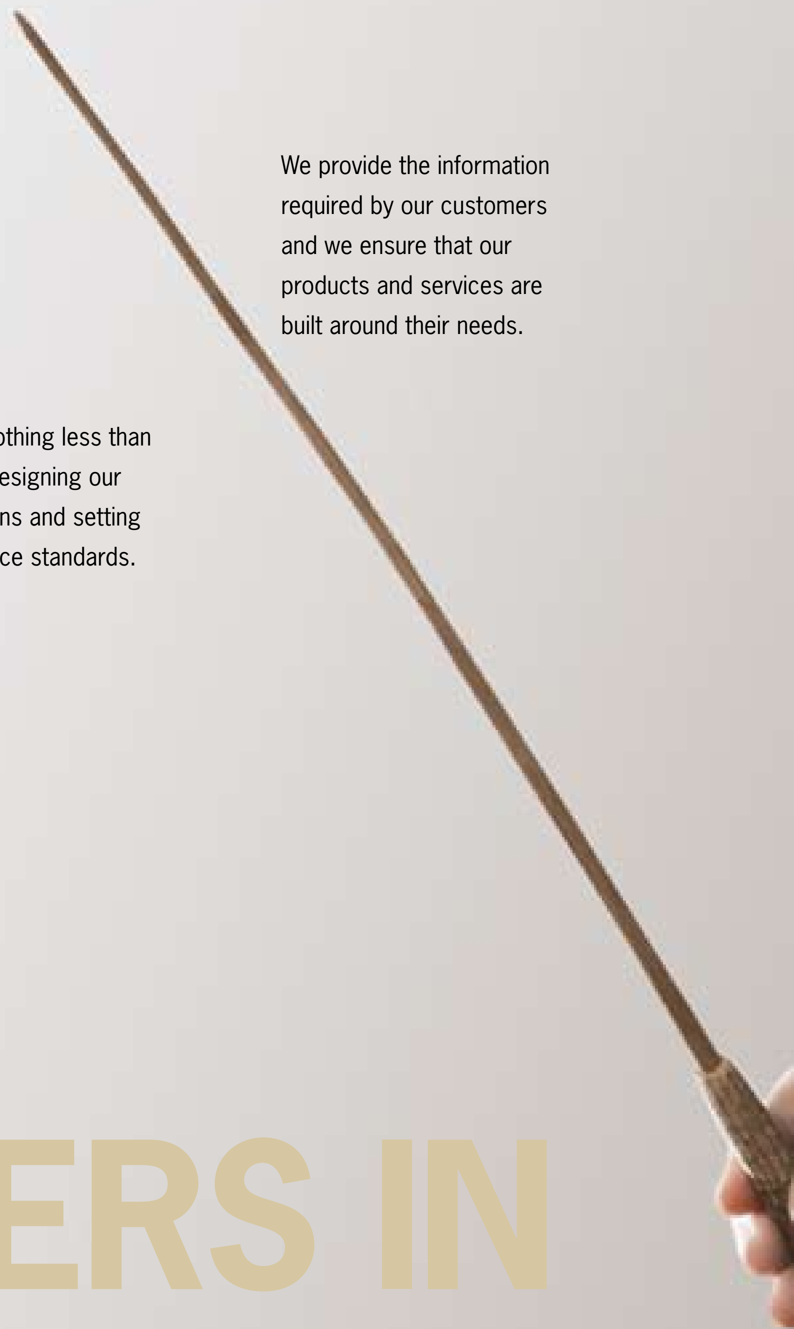
Filwaqt li l-kompetizzjoni qiegħda kull ma tmur tissaħħaħ u r-regolamenti jkomplu jibbiesu, is-suq xorta waħda jibqa' joffri opportunitajiet ġodda u eċitanti. Bl-appoġġ tagħkom bħala azzjonisti, direzzjoni mill-Bord tad-Diretturi, u bl-impenn tal-ħaddiema tagħna, aħna determinati li nieħdu vantaġġ minn dawn l-opportunitajiet biex b'hekk inkomplu nagħtu redditu konsistenti lill-investituri li dejjem emmnu fina matul is-snin.



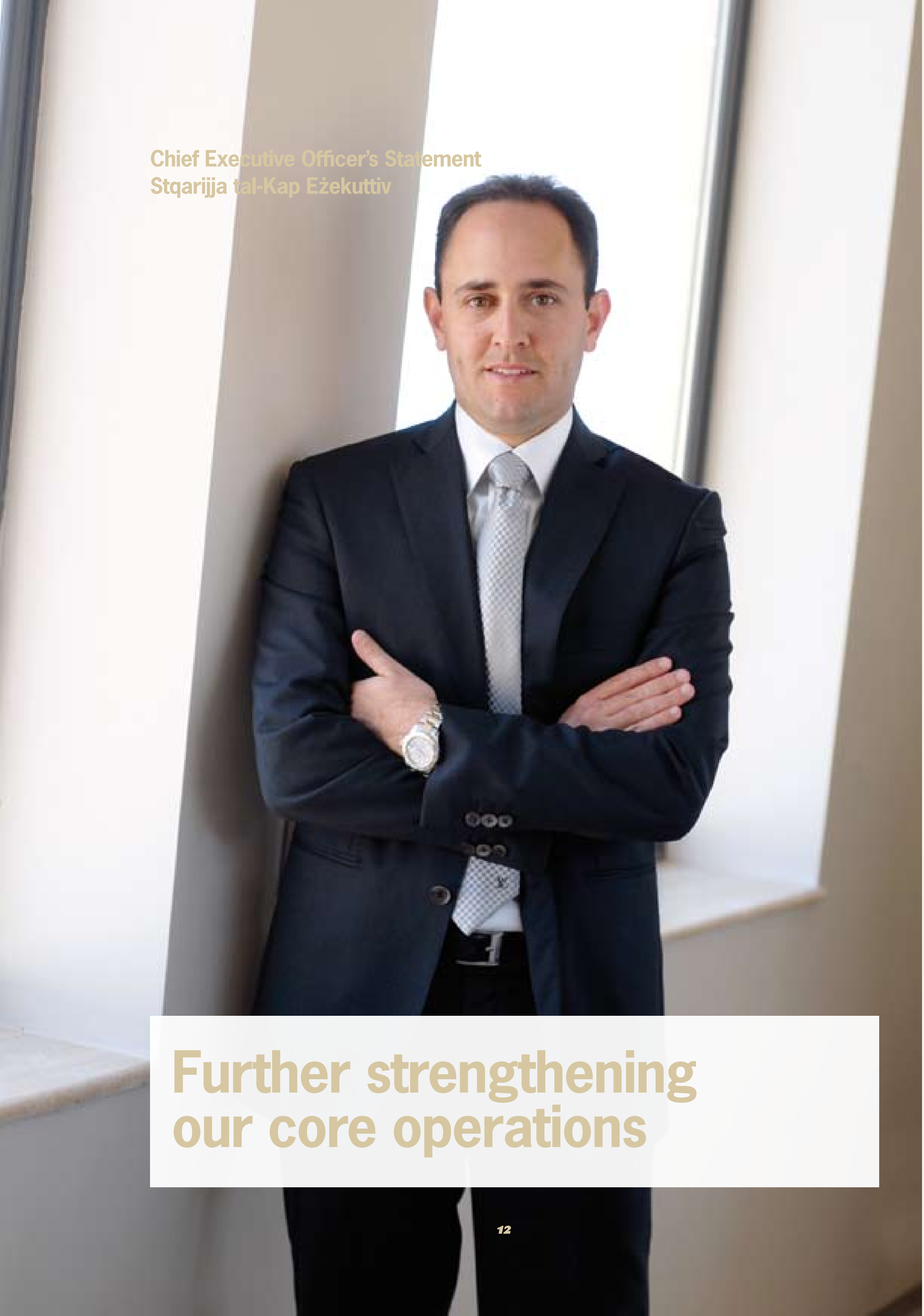
Christopher J. Pace
Chairman

We provide the information required by our customers and we ensure that our products and services are built around their needs.

We aspire to nothing less than excellence in designing our product solutions and setting customer service standards.



PARTNERS IN EXCELLENCE



Further strengthening our core operations

As indicated in 2006, the Group's objective for this year was to focus on value creation and on the strengthening of our core operations, being those of Investments, Insurance and Property. Strategically, 2006 was a very important year as a number of decisions were taken and initiatives implemented to better position the Group to take advantage of future opportunities, and achieve a better placement within the financial services market.

As we announced on various occasions GlobalCapital's aim is to become a one-stop service point for our clients offering personalised solutions, no matter how small or large a client may be. This philosophy also fits perfectly well with the Group's value creation and risk management approach of diversifying its revenue streams. We are, therefore, able to satisfy a vast number of financial services requirements which, in turn, make our business and its operation more stable and more profitable.

Diversification was a key driver behind the introduction of a new business stream which was introduced in 2006, whereby we are now in a position to offer our clients real estate agency services through a newly set up company, GlobalCapital Property Advisors Ltd. Similarly, we upgraded the licence of GlobalCapital Fund Advisors Ltd for it to be able to offer management services to collective investment schemes thus introducing another revenue stream to the company and making more efficient use of existing resources and technology.

At the forefront of our strategic objective of becoming a one-stop service point was the streamlining of the Group's image under one brand – GlobalCapital. Feedback received shows that the market reacted very positively to this change, and although there is still a long way to go, this new image is already bearing its fruit.

Kif indikat fl-2006, l-għanijiet tal-Grupp għal din is-sena kienu li jiffoka fuq il-ħolqien tal-valur u fuq it-tisħiħ ta' l-operat ċentrali tagħna, jiġifieri l-Investimenti, l-Assigurazzjoni u l-Propjetà. Mill-punt strateġiku, l-2006 kienet sena importanti ferm minħabba li ttieħdu numru ta' deċiżjonijiet u ġew implimentati numru ta' inizzjattivi biex ipoġġu lill-Grupp f'pożizzjoni aħjar sabiex jieħu vantaġġ minn opportunitajiet fil-ġejjieni u tikseb post aħjar fi ħdan is-suq tas-servizzi finanzjarji.

Kif ħabbarna f'diversi okkażjonijiet, l-għan ta' GlobalCapital huwa li nsiru one-stop service point għall-klijenti tagħna billi noffrulhom soluzzjonijiet personalizzati, irrispettivament minn kemm hu kbir jew żgħir il-klijent. Din il-filosofija taqbel perfettament mat-triq li għażel il-Grupp li jiddiversifika s-sorsi tad-dħul tiegħu bil-ħolqien tal-valur u l-immaniġjar tar-riskju. Minħabba f'hekk, aħna kapaċi nissodisfaw numru kbir ta' bżonnijiet fis-servizzi finanzjarji li, min-naħa tagħhom, jagħmlu l-kummerċ tagħna u l-operat tiegħu wieħed iktar stabbli u li jħalli iktar profitt.

Id-diversifikazzjoni kienet waħda mill-muturi ewlenin wara l-introduzzjoni ta' linja ġdida ta' kummerċ li ġiet introdotta fl-2006 u li permezz tagħha issa qegħdin f'pożizzjoni li noffru lill-klijenti tagħna servizzi ta' aġenzija tal-propjetà, permezz tal-kumpanija ġdida GlobalCapital Property Advisors Ltd. Bl-istess mod, żidna mal-liċenzja ta' GlobalCapital Fund Advisors Ltd attività li permezz tagħha din il-kumpanija tkun tista' toffri servizzi ta' amministrazzjoni lil skemi ta' investiment kollettiv. B'hekk introduċejna linja ġdida ta' dħul għall-kumpanija filwaqt li għamilna użu iktar effiċjenti mir-riżorsi u t-teknoloġija eżistenti.

Quddiem nett fl-għan strateġiku tagħna li nsiru one-stop service point kien hemm il-bżonn li nġibu taħt kappa waħda d-dehra tal-Grupp permezz ta' brand waħda – GlobalCapital. Ir-reazzjonijiet li rċevejna juru li s-suq wieġeb b'mod pożittiv ħafna għal din il-bidla, u għalkemm fadal ħafna xi jsir, din id-dehra ġdida diġa' qed tħalli l-frott mixtieq.

In developing this new brand we also felt the need to customise our front office operations around our clients' requirements, in order to truly achieve the desired objective. This resulted in restructuring our front office resources to focus on three distinct client segments; Personal Lines, Corporate Clients and Private Clients. This not only got us closer to our clients but also gave our resources more focus and much clearer targets and objectives.

Bond issue Testimony to the success of GlobalCapital's positioning is the way the market responded when the Group re-approached the market to raise capital through a bond issue. It is very gratifying to see that both local and foreign financial institutions, together with local individual investors showed keen interest in the €17 million issue, which resulted in it being over subscribed shortly after it was opened.

Property The proceeds of the bond have been invested in activities that are aimed to grow GlobalCapital's business. One core beneficiary of the proceeds of the bond is our property division, where we are witnessing substantial increases in value of our portfolio of properties, both locally and overseas. Today the Group has a number of well diversified properties across Europe, the Middle East and Latin America, with one of the latest additions being a unique property in Rome. This acquisition, like any of our other property acquisitions, has registered significant increases in value over a relatively short period of time which reaffirms the disciplined approach in the way we identify, research and ultimately acquire property. As a result of this strategy, we expect, over the next few years, further significant investment and growth in our property portfolio.

As reported in last year's publication, the Group owns 41% of a property development company that will be developing a 7,000m^2 site in Gzira. In 2006 the Malta Environment and Planning Authority (MEPA) designated this site for the development of high rise buildings.

Hekk kif qed niżviluppaw din id-dehra ġdida, ħassejna wkoll il-bżonn li nibnu l-operat tal-front office tagħna madwar il-ħtiġijiet tal-klijent, biex b'hekk nilħqu tabilħaqq l-għanijiet li nixtiequ. Dan wassal għal ristrutturar tar-riżorsi tal-front office tagħna biex dan jiffoka fuq tlett kategoriji differenti ta' klijenti; Personal Lines, Corporate Clients u Private Clients. Ir-riżultat ta' dan ma kienx biss il-fatt li tqarribna mal-klijenti tagħna iżda wassal ukoll biex iffukajna iktar ir-riżorsi tagħna u tajnihom miri u oġġettivi iktar ċari.

Ħruġ ta' Bonds *Xhieda tas-suċċess tal-qagħda ta' GlobalCapital huwa l-mod li bih wieġeb is-suq meta l-Grupp resaq mill-ġdid lejn is-suq kapitali permezz ta' ħruġ ta' bonds. Huwa ta' sodisfazzjon kbir li tara li istituzzjonijiet finanzjarji kemm lokali kif ukoll barranin, flimkien ma' investituri lokali individwali urew interess kbir fil-ħruġ ta' €17 il-miljun. Dan wassal sabiex il-ħruġ kien sottoskritt kollu ftit wara li fetaħ.*

Propjetà *Il-qligħ mill-bond ġie investit f'attivitajiet li huma mmirati li jkabbru l-attività kummerċjali ta' GlobalCapital. Waħda mill-benefiċċjarji ewlenin tal-qligħ minn dan il-bond hija d-diviżjoni tagħna tal-propjetà, fejn qed naraw żidiet sostanzjali fil-valur tal-portafoll tal-propjetà tagħna, kemm lokalment kif ukoll barra minn Malta. Illum, il-Grupp għandu numru ta' propjetajiet diversifikati tajjeb madwar l-Ewropa, il-Lvant Nofsani u l-Amerika Latina, b'waħda mill-aħħar żiedet tkun dik ta' propjetà unika f'Ruma. Dan l-akkwist, bħall-akkwisti tal-propjetà l-oħra kollha, irreġistra żidiet sinifikanti fil-valur fuq medda relattivament qasira ta' żmien. Dan isostni l-mod dixxiplinat li bih nidentifikaw, nirriċerkaw u fl-aħħarnett nixtru l-propjetà. Bħala riżultat ta' din l-istrateġija, fis-snin li ġejjin nistennew iktar investiment sinifikanti u tkabbir il-portafoll tagħna tal-propjetà.*

Kif kien rappurtat fil-pubblikazzjoni tas-sena l-oħra, il-Kumpanija għandha 41% ta' kumpanija ta' l-iżvilupp tal-propjetà li se tkun qed tiżviluppa sit ta' 7,000m^2 fil-Gżira. L-Awtorità ta' l-Ambjent u l-Ippjanar ta' Malta (MEPA) immarkat dan is-sit għall-iżvilupp ta' bini għoli.

Another positive development in our Property division, as mentioned in my introduction, was the setting up of a real estate agency which focuses on the buying, selling and letting of third party properties. With this new operation we are now able to offer extended services to our existing client base while at the same time establishing new clients and business relationships.

Insurance division In last year's annual report and financial statements reference was made to the initiatives taken by the Group to closely monitor claims particularly in the health insurance business. This year saw improvements in this area that are attributable to the rigorous claims approach and to the constant monitoring and managing of expenditure. This approach has led to a significant decrease in the loss ratio over 2005.

The life insurance business has continued to grow in terms of premium income, however 2006 proved to be less rewarding in terms of investment income. 2006 has seen global interest rates rise, including Malta, and this had a negative effect on the prices of local bonds, which forms a significant part of our life portfolio. The same applied to the local equity market that witnessed above average returns in 2005 but was somewhat subdued in 2006. These two main factors contributed to the decreases in investment income for the company.

Żvilupp ieħor pożittiv fid-diviżjoni tagħna tal-Propjetà kien it-twaqqif ta' agenzija tal-propjetà li tiffoka fuq x-xiri, il-bejgħ u t-twellija ta' propjetà ta' terzi persuni. B'dan l-operat ġdid, issa nistgħu noffru servizzi estiżi lill-klijenti eżistenti tagħna filwaqt li fl-istess ħin nistabbilixxu klijenti u relazzjonijiet kummerċjali ġodda.

Id-Diviżjoni ta' l-Assigurazzjoni *Fir-rapport annwali u l-istqarrijiet finanzjarji tas-sena l-oħra issemmew l-inizzjattivi li ħa l-Grupp biex jimmonitorja aħjar it-talbiet, speċjalment fil-qasam ta' l-assigurazzjoni tas-saħħa. Is-sena 2006 rat titjib f'dan is-sens permezz tal-mod rigoruż li bih jiġu eżaminati t-talbiet u tal-monitoraġġ u l-immaniġjar kostanti tan-nefqa. Din il-ħidma wasslet għal tnaqqis sostanzjali fil-proporzjon ta' telf meta mqabbel mas-sena 2005.*

Il-qasam ta' l-assigurazzjoni tal-ħajja kompla jikber f'dak li għandu x'jaqsam mad-dħul mill-primjums. Madankollu, is-sena 2006 tat inqas riżultati f'dak li għandu x'jaqsam mad-dħul minn investimenti. Is-sena 2006 rat żieda fir-rati ta' l-interess madwar id-dinja, inluż f'Malta, u dan kellu effett negattiv fuq il-prezzijiet tal-bonds lokali, li jiffurmaw parti importanti mill-portafoll tagħna fuq il-ħajja. L-istess jista' jingħad għas-suq lokali ta' l-ekwità, li kellu redditu ogħla mill-medja fl-2005 li madankollu naqas fl-2006. Dawn iż-żewġ fatturi ewlenin kkontribwew għal dan it-tnaqqis fid-dħul minn investimenti għall-Kumpanija, kif ġie rappurtat f'iktar dettall fl-istqarrijiet finanzjarji.

Today the Company has a number of well diversified properties across Europe, the Middle East and Latin America, with one of the latest additions being a unique property in Rome.

We have begun to witness increased activity in our insurance broking operation due to an increased focus on our corporate clients. 2006 was an interesting year for our insurance broking business where a number of large corporate accounts were gained, giving us added enthusiasm and motivation to deliver a stronger performance in 2007.

Investments division The slowdown of the local stock market which started in the latter part of the year, was somewhat compensated by the results of the international stock markets which continued to perform well in the first months of 2007. The largest beneficiary of the stock market performance up to 31 July 2006 was GlobalCapital Fund Advisors, which earns the majority of its fees from the performance of the stock markets. In fact, this company alone registered a profit before tax of Lm2.4 million in 2006 most of which was derived from income that it received from performance fees. With reference to such performance fees we are still awaiting feedback from the Regulator on how newly introduced regulations will be affecting a number of funds to which the company acts as advisor.

In 2006 this company upgraded its licence allowing it to manage and administer collective investment schemes. GlobalCapital Funds SICAV p.l.c. is the first collective investment scheme to be managed by GlobalCapital Fund Advisors Ltd. The first sub fund of the scheme is The Property Fund, launched in 2006, with an application having been submitted to the Regulator for a second fund that will be investing in equity of foreign based companies.

A significant investment was directed towards our stockbroking division, particularly in its technology and human resources. The technology introduced in this division is now state-of-the-art technology comparable to our foreign counterparts and has allowed us to reduce manual procedures and paperwork; improve audit trails whilst offering more effective communication lines. With the newly introduced setup, clients are able to place their trading order over the phone without the need to fill in extra paperwork or visit any branch.

Bdejna naraw żieda fl-attività ta' l-operat tagħna fil-qasam tal-broking ta' l-assigurazzjoni minħabba li ffukajna aktar fuq il-klijenti korporattivi tagħna. Is-sena 2006 kienet waħda interessanti għall-qasam tal-broking ta' l-assigurazzjoni, fejn iggwadanjajna numru ta' kontijiet korporattivi kbar li żiedu fina l-entużjażmu u l-motivazzjoni biex nagħtu wirja aħjar fl-2007.

Id-Diviżjoni ta' l-Investimenti *It-tnaqqis li ntwera fis-suq lokali ta' l-ishma kien xi ftit jew wisq kompensat mir-riżultati tas-swieq internazzjonali ta' l-ishma, li kellhom wirja tajba fl-2006 u li komplew bil-wirja tajba fl-ewwel xhur ta' l-2007. L-iktar li bbenefikaw mit-tisħiħ tas-suq ta' l-ishma kienu GlobalCapital Fund Advisors, li jaqilgħu l-maġġoranza tal-ħlas tagħhom mill-andament pożittiv ta' l-ishma. Fil-fatt, din il-kumpanija waħedha rreġistrat profitt ta' Lm2.4 miljuni fl-2006, li l-biċċa l-kbira tiegħu ġie minn dħul mill-ħlas ta' performance fees. B'referenza għal dawn il-performance fees, għadna qed nistennew mingħand r-regolatur koncernati dwar kif regolamenti ġodda se jaffetwaw il-qligħ ta' din il-kumpanija marbut ma' dawk il-fondi il għalihom il-kumpanija hija apuntata bħala advisor.*

Fl-2006, il-kumpanija ingħatat ukoll il-liċenzja biex tamministra skemi ta' investiment kollettiv. Dan ra l-ħolqien ta' kumpanija ġdida ta' l-investiment, GlobalCapital Funds SICAV p.l.c. u t-tnedija ta' l-ewwel sotto-fond, il-Fond tal-Propjetà. Il-Fond tal-Propjetà huwa l-ewwel fond immaniġjat minn GlobalCapital Fund Advisors, u saret applikazzjoni oħra lil-Regolatur għat-tieni fond li se jkun qed jinvesti f'ekwitajiet ta' kumpaniji bbażati barra minn Malta.

Sar investiment sinifikanti fid-diviżjoni tagħna ta' l-istockbroking, speċjalment fir-riżorsi teknoloġiċi u umani tagħha. It-teknoloġija li ddaħħlet f'din id-diviżjoni hija waħda ta' l-ogħla kwalità u l-aħħar teknoloġija, li tista' titqabbel tajjeb ma' dik użata minn kumpaniji simili barra minn Malta. Dan l-investiment għamilha possibli li nnaqsu l-proċeduri manwali u l-karti, li ntejbu s-sistemi ta' l-awditjar filwaqt li noffru linji ta' komunikazzjoni iktar effettivi. B'dawn il-miżuri ġodda, il-klijenti jistgħu jagħmlu l-ordni tan-negozju tagħhom permezz tat-telefon mingħajr ma jkollhom bżonn jimlew karti u formoli żejda jew iżuru waħda mill-fergħat.

Both the Group and its management are committed to keep on developing existing structures in order to further strengthen our core operations.

Offering financial plans and solution to our clients represents a major area of our business. While we noted further growth in this area of business we have encountered difficulties in employing further quality resources to support our growth objectives. A number of initiatives have in fact been undertaken to develop existing resources, whilst at the same time identifying potential candidates in the market or upcoming graduates who we can train and develop in line with international market expectations.

Looking ahead Both the Group and its management are committed to keep on developing existing structures in order to further strengthen our core operations. As the Company acquires more fund administration expertise we will be tapping into foreign based collective investment schemes to attract them to Malta for fund administration purposes.

The transposition of the Markets in Financial Instruments Directive commonly referred to as 'MiFID directive' into Maltese law will also bring about changes in the way financial services companies operate. There are 3 objectives to be met by the Directive. Firstly, to complete the process of creating a single EU market for investment services. Secondly, to respond to changes and innovations which have occurred in securities markets, and thirdly, to protect investors by making markets deeper, more competitive and more robust against fraud and abuse.

Parti importanti ħafna ta' l-attività kummerċjali hija dik li noffru pjanijiet u soluzzjonijiet finanzjarji lill-klijenti tagħna. Filwaqt li rajna iktar tkabbir f'dan il-qasam, sibna diffikultà biex nimpjegaw iktar riżorsi ta' kwalità biex insostnu l-miri tagħna ta' tkabbir. Fil-fatt, ħadna numru ta' inizzjattivi biex niżviluppaw ir-riżorsi eżistenti filwaqt li fl-istess ħin nidentifikaw kandidati potenzjali fis-suq jew fost dawk li se jiggradwaw, li nkunu nistgħu inħarrġuhom u niżviluppawhom skond dak li hu mistenni fuq livell tas-swieq internazzjonali.

Inħarsu 'l quddiem *Kemm il-Grupp kif ukoll il-management huma impenjati li jkomplu jiżviluppaw l-istrutturi eżistenti biex inkomplu nsaħħu l-operati ewlenin tagħna. Hekk kif il-Kumpanija takkwista iktar għarfien espert fl-amministrazzjoni tal-fondi, se nkunu qed nimirħu fi skemi ta' investiment kollettiv barra minn xtutna biex nattirawhom lejn Malta għal fini ta' amministrazzjoni ta' fondi.*

Id-dħul tad-Direttiva dwar is-swieq fl-istrumenti finanzjarji, magħrufa aħjar bħala d-direttiva MiFID se twassal għal bidliet fil-mod li bih joperaw kumpaniji tas-servizzi finanzjarji. Hemm tliet għanijiet li jridu jintlaħqu b'din id-direttiva. L-ewwelnett, li jintemm il-proċess għall-ħolqien ta' suq wieħed ta' l-UE għas-servizzi ta' l-investiment. It-tieni, li twieġeb għall-bidliet u l-innovazzjonijiet li seħħew fis-swieq tas-sigurtajiet, u t-tielet, li tipproteġi lill-investituri billi tpoġġi s-swieq iktar fil-fond, tagħmilhom iktar kompetittivi u iktar b'saħħithom kontra l-frodi u l-abbuż.

The Group is making the necessary changes to its investment division in order to take advantage of these changes, expected for November 2007. The core operations will be further strengthened through the development of new products and services that are aimed at reducing the imbalance that exists between our main competitors and us. This will involve more investment in the property division that has performed well but also investment in new lines of business that will further diversify the income stream of the Group, but will also complement and enhance the distribution of the existing products.

We reaffirm our objective of creating value for our shareholders together with all other stakeholders which will in turn result in growth. This can be achieved only by further investment, strengthening our core operations, developing our resources, and constantly identifying new potential business opportunities and partners both locally and overseas.

Il-Grupp qed jagħmel il-bidliet meħtieġa fid-diviżjoni tagħha ta' l-investiment biex tkun tista' tieħu vantaġġ minn dawn il-bidliet, li huma mistennija f'Novembru 2007. L-operati ewlenin se jkomplu jissaħħu permezz ta' żvilupp ta' prodotti u servizzi ġodda li huma mmirati biex inaqqsu l-iżbilanċ li jeżisti bejn il-kompetituri ewlenin tagħna u aħna. Dan se jinvolvi iktar investiment fid-diviżjoni tal-propjetà, li kellha wirja tajba, iżda wkoll investiment f'linji ġodda ta' attività kummerċjali li jkomplu jiddiversifikaw is-sorsi tad-dħul tal-Grupp filwaqt li jikkumplimentaw u jtejbu d-distribuzzjoni fuq il-prodotti eżistenti.

Insostnu l-għan tagħna li noħolqu valur għall-azzjonisti tagħna flimkien ma' dawk il-persuni jew entitajiet marbuta mal-Kumpanija, li jwassal għal tkabbir. Dan jista' jintlaħaq biss b'iktar investiment, bit-tisħiħ ta' l- operat ċentrali tagħna, fl-iżvilupp tar-riżorsi u billi nkomplu dejjem nidentifikaw opportunitajiet u sħab ġodda b'potenzjal ghal attività kummerċjali, kemm lokalment kif ukoll barra minn xtutna.

Nicholas Portelli
Chief Exceutive Officer

Group financial highlights

	2006			2005		
	Lm	**EUROS**	**USD**	Lm	EUROS	USD
Turnover - commission and fees receivable	**4,828,509**	**11,247,531**	**14,825,937**	3,086,959	7,190,762	9,478,508
Balance on the long term business of insurance technical account	**64,959**	**151,315**	**199,457**	786,912	1,833,033	2,416,213
Increment in value of in-force business	**129,000**	**300,493**	**396,095**	315,000	733,761	967,208
Gains on investment property	**792,740**	**1,846,609**	**2,434,108**	-	-	-
Other operating income	**27,019**	**62,938**	**82,962**	6,337	14,761	19,458
Administrative expenses	**(2,446,692)**	**(5,699,326)**	**(7,512,568)**	(1,788,124)	(4,165,256)	(5,490,435)
Commission payable and direct marketing costs	**(368,038)**	**(857,308)**	**(1,130,061)**	(453,359)	(1,056,054)	(1,392,039)
Impairment of goodwill	**(300,000)**	**(698,820)**	**(921,150)**	(250,000)	(582,350)	(767,625)
Share of loss of associated undertaking	**(1,586)**	**(3,694)**	**(4,870)**	(382)	(890)	(1,173)
Operating profit	**2,725,911**	**6,349,738**	**8,369,910**	1,703,343	3,967,767	5,230,115
Profit before tax	**3,171,685**	**7,388,125**	**9,738,659**	2,625,603	6,116,080	8,061,914
Income tax expense	**(1,132,351)**	**(2,637,699)**	**(3,476,884)**	(1,011,809)	(2,356,908)	(3,106,760)
Profit for the financial year	**2,039,334**	**4,750,426**	**6,261,775**	1,613,794	3,759,172	4,955,154
Earnings per share	**0.15**	**0.36**	**0.47**	0.12	0.28	0.37
Net dividends proposed	**515,094**	**1,199,860**	**1,581,596**	386,320	899,894	1,186,196
Share capital	**1,650,943**	**3,845,707**	**5,069,220**	1,650,943	3,845,707	5,069,220
Technical reserves - life business	**16,591,656**	**38,648,612**	**50,944,680**	13,285,161	30,946,461	40,792,087
Shareholders' funds	**12,678,819**	**29,534,048**	**38,930,314**	11,197,503	26,083,469	34,381,933
Net asset value per share	**0.96**	**2.24**	**2.95**	0.85	1.97	2.60

All figures have been converted at rates of exchange ruling at 31 December 2006

We are ambitious and always forward thinking. We seek to get the best from everything, and constantly look out for new opportunities.

HONEST &

We build relationships based on our accountability, openness and transparency.

TRUTHFUL

Overview of 2006

GlobalCapital continued to support Ira Losco where she also featured in our “Life's an amazing journey” campaign linked to its life insurance savings plans.

Probably the most renowned character in financial services adverts. GlobalCapital's famous postman enters Maltese homes once again with “Aberdeen – Everybody's waiting!” campaign

Launch of the new GlobalCapital identity.

GlobalCapital
Together through life

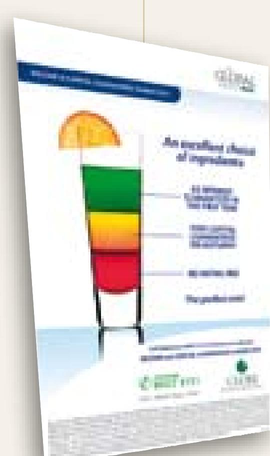
january

february

march

april

may

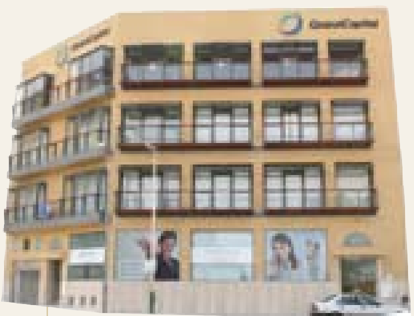


GlobalCapital served a “perfect mix” in anticipation of summer with its campaign of the sought after capital guaranteed product - ICGG 2011.

Participation in the Motor Fair won a very lucky client a trip to Brands Hatch to test drive a single-seater formula car along with TV personality Tonio Darmanin from Paqpaq.

All the way from Argentina, to St. James Cavalier Adriana Bozzi exhibited her works of art exclusively for GlobalCapital clients and selected press.

Further diversification of the company's business through the introduction of a new Groups offering real estate services including buying, selling and letting.



june

Great demand for Maltese Lira products, enables the launch of a product joining our Life Insurance knowledge and investment expertise into the GlobalCapital Investment Bond – an immediate hit in the market!

september

GlobalCapital was the first financial services company to join the voluntary phase of the FAIR initiative, showing its advanced status of preparation to the introduction of the euro in 2008.

Lm € FAIR
Fair-pricing Agreements In Retailing

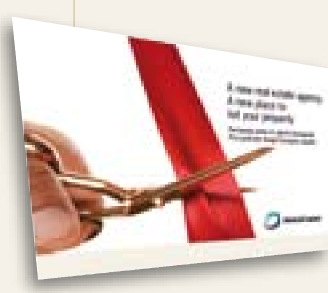
november

july

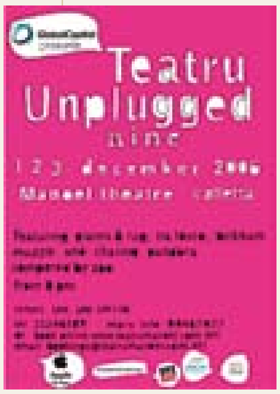
The first fund fully managed by GlobalCapital to hit the market is The Property Fund, a sub-fund of GlobalCapital Fund SICAV p.l.c.

october

Interest in our real estate services increases.
The Guide to Purchasing Property is launched explaining the dos and don'ts in purchasing property.



december



Supporting music and local talent through the sponsorship of the 9th edition of the well established Teatru Unplugged.

Board of Directors

Executive Directors

Chairman – Christopher J. Pace founded Globe Financial Investments Ltd, 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.

Executive Director – James Blake has been closely involved in the development of GlobalCapital since its origin. He has been a member of its Board since its incorporation and has held various directorships within the Group including that of Managing Director and Deputy Chairman, as well as Chairman of GlobalCapital Health Insurance Agency Ltd. He is currently a member of the Executive Committee, a Director of GlobalCapital Insurance Brokers Ltd, responsible for public and investor relations, and Chairman of GlobalCapital Fund SICAV p.l.c. In March 2006, Mr. Blake was elected chairman of the College of Stockbroking Firms.

Non-Executive Directors

Muni Krishna T. Reddy, GOSK – Deputy Chairman was appointed to the Board of Directors in March 2003 and Deputy Chairman in December 2004. He is also Chairman of State Bank of Mauritius Limited Group ("SBM Group"), a financial services group in Mauritius, after having been Chief Executive of the SBM Group for over 16 years until October 2003. Before taking charge of the SBM Group as Chief Executive in 1987, he worked in the banking sector in India and Singapore. Besides chairmanship of the SBM Group, he is Chairman of SBM Nedbank International Ltd, and Chairman of Banque SBM Madagascar. He is a Director of a number of companies in Mauritius, Europe and U.S.A., including Mittal Steel Company NV, a listed company on Euronext (Amsterdam), and New York (USA). He was conferred the Grand Officer of the Order of the Star and Key of the Indian Ocean (GOSK), one of the 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 the Bahamas in 1920. He is also Chairman of British American Investments Co. (Mtius) Ltd. He is actively involved in the operations of the British American Group of Companies in the Americas, Europe and Africa/Mediterranean.

Nicholas Ashford-Hodges was appointed to the Board of Directors in March 2003 and was Deputy Chairman until December 2004. A 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. He is also a non-executive Director of British American Insurance Co. (Mtius.) Ltd, British American Investments Co. (Mtius) Ltd and sits on several other subsidiary boards of the British American Group. Mr. Ashford-Hodges also currently holds the post of Director of GlobalCapital Health Insurance Agency Ltd.

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 and sits as Chairman of the Customs and Excise Tax Appeals Board. 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 Executive Committee, heading the Aberdeen Group's Marketing 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. obtained a Doctorate in Laws and a Masters in Financial Services from the University of Malta. He joined the Group in 2003 and appointed as Head of Legal and Compliance in 2006. He was appointed Board Secretary of GlobalCapital p.l.c. in October 2004 and serves as Board Secretary to a number of the Group's subsidiaries.

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, approval of related-party transactions, 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

Management Team

Executive Committee

Nicholas Portelli	Chief Executive Officer
James Blake	Chief Officer Investor and Public Relations
Adrian Bonett	Chief Operating Officer
Oliver Said	Chief Officer Business Development
Kevin Vella	Chief Financial Officer
Ian Zammit	Chief Officer Property Services

Senior Management

Adrian Galea	Chief Risk Officer
Malcolm Briffa	Head of Marketing, Research & Development
Malcolm Cachia	Head of Corporate Clients
Adrian Cutajar	Head of Legal & Compliance
Adrian Mizzi	Head of IT & IS
Noel Saliba	Head of Claims, Memberships & Underwriting - Health Insurance
Sandra Scerri	Head of HR Training & Development
Joanna Varazzo	Head of Customer Care
Andrew Zrinzo	Head of Stockbroking Services
Peter Azzopardi	Group Financial Controller
Simon Grima	Group Internal Auditor
Adriana Zarb Adami	Senior Manager - Corporate Clients

Business Overview

We build relationships based on trust, accountability and transparency. We aspire to nothing less than excellence. We believe in providing you with all the information, knowledge and support you need to take an informed decision tailored to your needs.

In order to endeavour to provide the right service tailor made to your circumstances, GlobalCapital services focus around three client divisions: Personal, Corporate and Private Clients division. We offer services relating to Investments, Insurance and Property.

Personal Services

With numerous day to day requirements, it's common that you don't find the time to plan and action important personal financial requirements. Through our professional, intermediaries, we offer you a holistic range of services for your personal and your family's daily and future requirements.

Corporate Services

As a business person, you have many commitments and little time to shop around for a reliable supplier of all your business necessities. Keeping all your business requirements and commitments in mind, we offer you the comfort of a one-stop, easily accessible service point for all your requirements.

Private Client Services

We understand that you require customized solutions to your financial requirements. Our private clients division offers a full range of tailored services and products aimed at servicing the needs of individuals with a more complex portfolio.

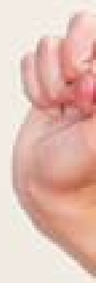
Investments

GlobalCapital's Investment division bases its working process on an entirely innovative approach that is simple and yet effective. This approach has helped us offer our clients access to an exciting range of services and a wealth of experience.

Whether a client is a newcomer to the world of financial services or has had previous investment experience, our team of professional and certified financial planning managers are at hand to guide the client through the various and often difficult choices available, always keeping the client's best interests in mind.

The client's success helps build the foundation of our success. With this in mind, GlobalCapital offers unbiased access to information, investment products and advice. Regular contact and reviews are essential and enable the client to stay updated about the performance of their investment portfolio.

The pure diversity of our investment services enables clients to approach us for a wide variety of needs and services.



Independent Financial Planning

The core service offered by GlobalCapital's Investment Division is the sale of investment products. With a wide range of financial services products under management, this line of business has grown rapidly over the years.

This division services its clients through a team of financial planning managers and a network of retail offices around Malta and Gozo.

Apart from its proprietry funds and relationships with third party providers, this division also provides independent fund advice, based on the client's requirements.

Stockbroking

GlobalCapital provides stockbroking services for instruments listed on both the Malta Stock Exchange and those listed on international stock markets. Through the company's overseas partners, our in-house analysts have access to a considerable wealth of international markets and research.

The Stockbroking division also provides online trading with access to a platform giving live prices from all major stock exchanges, both for the buying and selling of bonds and equities. The division provides also independent research on specific companies clients wish to invest in.

Property

Our property arm is truly a one-stop-service-point for the various property requirements and ideas of our clients. We cover the process from beginning to end for both the personal homebuyer and the top-end corporate client. Our network of architects, lawyers and property advisors places us as a strong advisor, negotiator, planner and project manager in the property field.

Management Services

We can successfully build, renovate or dispose of properties. This means that we can handle all types of property acquisitions and disposals, together with the development, renovation, maintenance and negotiation of high-grade properties in both Malta and overseas.

Advisory Services

The real estate division assists our clients through all stages of the process relating to buying and selling of property – from initial viewing of potential sites through to the key hand-over.

Our working methodology enables us to be as flexible as one requires. Our approach is not set in stone, but more importantly based on, and around, the needs of our clients.

Insurance

GlobalCapital believes that it can help offer a sense of security to its clients on all aspects of their lives, including life itself. Whether it is one's home, car, boat, family's health and well being, or even one's own life, insurance enables people to look towards the future with greater confidence.

Getting the best from one's insurance cover and policies is a priority. Therefore, at GlobalCapital, we tailor our service to enable us to always place our client's needs first. We develop strategies and solutions that cater for the needs of both individuals and corporate organisations.

We listen first. Then act. Working together makes a great foundation for success.

Life Insurance

With close to 40 years experience in the field of life insurance, GlobalCapital has gained a wealth of know-how and expertise in this sector.

GlobalCapital manages a growing life fund which has given consistent returns year on year. This provides our clients with the security and peace of mind they require.

The Life Insurance Division has developed a comprehensive range of life insurance products for the Maltese market. These products allow our clients to plan for their future with security and peace of mind.

GlobalCapital believes that there is more to life insurance than just the compulsory loan protection plan when taking out a home loan. Life insurance offers a wider range of benefits that can help plan better one's future. We offer a wide range of insurance products for individuals, families and businesses.

These include savings and protection policies for both individual clients and corporate organisations.

Insurance Broking

GlobalCapital's General Insurance Broking division aims to provide its clients the service of sourcing insurance policies at the best possible deals.

We offer free and impartial advice to help assess what the client currently needs and also what one might need in the future, be it one's life, health, car, boat or home. GlobalCapital researches and contacts all insurance providers, and plans out the best and most appropriate covers.

We offer a proactive and comprehensive commercial and corporate insurance broking service within one port of call. We also provide detailed long and short term forsight and risk management services.

Private Medical Insurance

GlobalCapital Health Insurance Agency Ltd is the exclusive agent in Malta of BUPA Insurance Limited. The Malta office, one of the first established agencies outside the UK, is a leading health insurance provider, carrying forward the core values behind the international success story that is BUPA.

Unlike most other health and care organisations, BUPA is a provident association. With no shareholders to pay, profits generated are reinvested back into health and care for its members. With nearly 60 years experience in providing health cover, BUPA has offices spanning the globe and 8 million members worldwide.

GlobalCapital's Private Medical Insurance schemes, both for private and corporate members, have been designed to suit the needs of the local market. The different levels of cover ensure that one has the option to choose the most appropriate scheme for one's needs.

Nowadays, the need for health insurance is more pronounced. Smiles are wider and sleep is easier when our loved ones are covered with BUPA Malta.

Pensions

It's important to think about tomorrow, and plan for it today.

We know the thought of pensions can be confusing. That is why we are actively following the discussions leading to the forthcoming Maltese pension reform. Through our internal expertise and together with our international partners, we are looking toward being leaders in this area.

That leaves you able to enjoy the little pleasures of today that much more.

Principal companies falling within GlobalCapital

GlobalCapital Financial Management Ltd

Investment Services

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 stock broking 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, estate planning services, investment advice, corporate guidance and discretionary portfolio management services.

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

Fund Advisory Services & Fund Management

The company is licensed by the Malta Financial Services Authority to provide investment advice and management 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. GlobalCapital Fund Advisors Limited also holds a recognition certificate to act as a Fund Administrator.

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

Life Insurance

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) in terms of the Insurance Business Act, 1998. With effect from 15 January 2003, GCLI succeeded to the Maltese insurance business portfolio of British American which had been carrying out life assurance business in Malta since 1965. GlobalCapital Life Insurance Limited is engaged principally in ordinary life assurance business (interest sensitive and term) and industrial life assurance business (home service). It provides both single premium and regular premium saving products and a range of life assurance products, including term, interest-sensitive endowment, life assurance and group life policies.

DIRECTORS

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

COMPANY SECRETARY

Adrian Cutajar LL.D.

GlobalCapital Health Insurance Agency Ltd

Private Health Insurance

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. The agency activity conducted in Malta by GlobalCapital Health Insurance Agency Limited represented the first BUPA agency of its sort outside the United Kingdom. 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. GlobalCapital Health Insurance Agency Limited also provides BUPA with client and back office support services in respect of its local business in Malta.

DIRECTORS

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

COMPANY SECRETARY

Adrian Cutajar LL.D.

GlobalCapital Insurance Brokers Ltd

Insurance Broking

GlobalCapital Insurance Brokers Limited is enrolled in the Brokers List and is authorised to carry on business of insurance broker by the MFSA in terms of the Insurance Intermediaries Act. 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.

DIRECTORS

Christopher J. Pace – Chairman
Nicholas Portelli
Ian Zammit
James Blake
Joseph R. Aquilina

COMPANY SECRETARY

Adrian Cutajar LL.D.

GlobalCapital Property Advisors Ltd

Real Estate Agency

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.

DIRECTORS

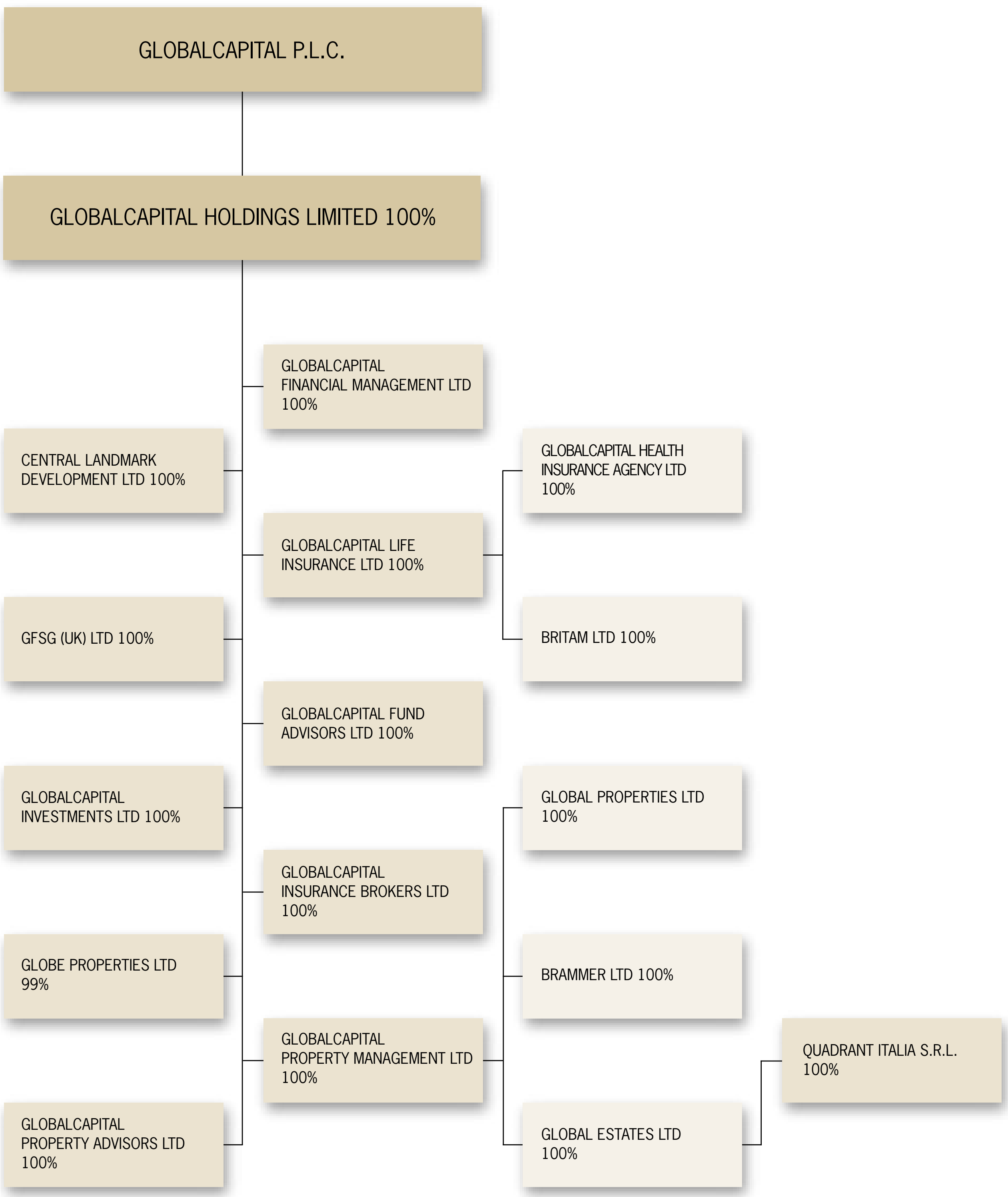
Christopher J. Pace – Chairman
Nicholas Portelli
Joseph R. Aquilina
Adrian Bonett

COMPANY SECRETARY

Adrian Cutajar LL.D.

GlobalCapital Group Structure

As at 17th April 2007




BRANCH NETWORK

GZIRA	Sales Office
BALZAN	Operations Centre
	Sales Office
	Insurance Brokers
QORMI	Sales Office
FGURA	Sales Office
TA' XBIEX	Private Clients
	Real Estate Office
	Property Management
ST. JULIAN'S	Chairman's Office
GOZO	Sales Office
LIBYA	Representative Office


GlobalCapital
Together through life

Annual Report and Consolidated Financial Statements

31 December 2006

Contents

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2006.

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; 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 year ended 31 December 2006 of Lm3,171,685 representing an increase of 20.8% over the previous year (2005: Lm2,625,603).

- Operating profit, including performance fees, increased to Lm2,725,911 (+60%) compared to Lm1,703,343 in 2005.
- Earnings per share increased to 15.4 cents (+26.2%) from 12.2 cents in 2005.
- Net assets increased to Lm12,678,819 (+13.2%) compared to Lm11,197,503 in 2005.
- Profit after tax for the current year represents a return on shareholders' funds of 16.1% compared to 14.4% in 2005.

The Board of Directors is pleased to note that the encouraging increase in profits registered by the Group over the past years, has been sustained. These results have been achieved against a backdrop of initiatives including the rebranding exercise, a €17 million bond issue, launch of new products as well as the establishment of new business units.

The Directors look forward to sustaining these positive results in the future through continuous investment in both existing and new areas of the business.

Results and dividends

The profit and loss accounts are set out on page 53. During the year, the Directors paid an interim net dividend of Lm171,698 equivalent to 1.3 cents per share (2005: Lm128,773 equivalent to 0.975 cents per share). The Directors recommend the payment of a final net dividend of Lm85,849 (2005: Lm128,773 equivalent to 0.975 cents per share) equivalent to 0.65 cents per share, and a special net dividend of Lm429,245 equivalent to 3.25 cents per share (2005: Lm257,547 equivalent to 1.95 cents per share).

Rapport tad-Diretturi

Id-Diretturi qegħdin jippreżentaw ir-rapport tagħhom u d-dikjarazzjonijiet finanzjarji awditjati għas-sena li għalqet fil-31 ta' Diċembru 2006.

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; u*
- *il-provvediment ta' servizzi ta' immaniġjar u konsulenza dwar propjetà, ix-xiri u bejgħ ta' propjetà, u proġetti ta' żvilupp ta' propjetà.*

Analiżi tan-negozju

Il-profitt li rreġistra l-Grupp għas-sena li ntemmet fil-31 ta' Diċembru 2006, qabel il-ħlas tat-taxxa, kien ta' Lm3,171,685. Dan jirrappreżenta żieda ta' 20.8% fuq is-sena l-oħra (2005: Lm2,625,603).

- *Il-profitt ta' l-operat, li jinkludi performance fees, żdied għal Lm2,725,911 (+60%) meta mqabbel ma' Lm1,703,343 fl-2005.*
- *Il-qligħ għal kull sehem żdied għal 15.4 ċenteżmi (+26.2%) minn 12.2 ċenteżmi fl-2005.*
- *L-assi netti żdiedu għal Lm12,678,819 (+13.2%) meta mqabblin ma' Lm11,197,503 fl-2005.*
- *Il-profitt wara l-ħlas tat-taxxa għas-sena kurrenti juri redditu fuq il-fondi ta' l-azzjonisti ta' 16.1% meta mqabbel ma' 14.4% fl-2005.*

Il-Bord tad-Diretturi bi pjaċir jinnota li nżammet iż-żieda inkoraġġanti fil-profitti rreġistrati mill-Grupp fl-aħħar snin. Dawn ir-riżultati nkisbu fl-isfond ta' inizzjattivi bħal ma huma l-eżerċizzju ta' rebranding, ħruġ ta' bonds ta' € 17-il miljun, it-tnedija ta' prodotti ġodda kif ukoll it-twaqqif ta' entitajiet ġodda ta' attività kummerċjali.

Id-diretturi jħarsu 'l quddiem sabiex jinżammu dawn ir-riżultati pożittivi fil-ġejjieni permezz ta' investiment kontinwu kemm f'oqsma ta' attività kummerċjali eżistenti kif ukoll f'oħrajn ġodda.

Riżultati u dividendi

Il-kontijiet ta' qligħ u telf jidher f'paġna 53. Matul is-sena, id-Diretturi ħallsu dividend nett proviżorju ta' Lm171,698 ekwivalenti għal 1.3 ċenteżmi għal kull sehem (2005: Lm128,773 ekwivalenti għal 0.975 ċenteżmi għal kull sehem). Id-Diretturi jirrakkomandaw il-ħlas ta' dividend nett finali ta' Lm85,849 (2005: Lm128,773 ekwivalenti għal 0.975 ċenteżmi għal kull sehem) ekwivalenti għal 0.65 ċenteżmi għal kull sehem, u dividend nett speċjali ta' Lm429,245 ekwivalenti għal 3.25 ċenteżmi għal kull sehem (2005: Lm257,547 ekwivalenti għal 1.95 ċenteżmi għal kull sehem).

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 and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the Board

Christopher J. Pace
Chairman

Muni Krishna T. Reddy, GOSK
Deputy Chairman

Registered office
120 The Strand
Gzira
Malta

23 March 2007

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% tad-drittijiet għall-vot totali tal-Kumpanija, jew numru ta' azzjonisti li bejniethom għandhom mhux inqas minn 14% 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 jerġħu jikkontestaw jew jerġgħu jkunu maħtura bħala Diretturi fuq il-Bord.

L-Awdituri

PricewaterhouseCoopers urew ix-xewqa li jkomplu bil-ħatra tagħhom u se titressaq riżoluzzjoni biex jerġgħu jinħatru fil-Laqgħa Ġenerali Annwali.

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 "Group") reports on the extent of its adoption of the Code of Principles of Good Corporate Governance (the "Principles"), and the relevant measures undertaken.

The Principles were amended with effect from March 2007 and the Group is currently taking the necessary measures in order to comply with the new amendments.

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 strongly believes in the importance of appropriate disclosures to ensure transparency and protection of the Group'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 the 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. On joining the Board, a handbook is available for Directors containing the legislation applicable to their office and corporate information relating to the Group in order to assist the Directors in the course of their duties. The Company's Articles of Association also provide for adequate controls and procedures in so far as the treatment of conflicts of interest during Board Meetings are concerned.

The Company's organisational structure includes the position of Chief Executive Officer, currently held by 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. Committees – continued

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. Another responsibility of the Audit Committee is 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. The Audit Committee met five times during the year under review and is composed of Gary Marshall as Chairman, and Nicholas Ashford-Hodges and Andrew Borg Cardona as members. The Audit Committee will meet at least six times a year in future reporting periods. 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, Group Internal Auditor, Chief Risk Officer, and 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 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. The Nominations Committee met twice and is composed of Christopher J. Pace as Chairman, and Muni Krishna T. Reddy and Dawood A. Rawat as members. The Chief Executive Officer is invited to attend meetings of the Nominations Committee to participate in the appointment of senior management. The Nominations Committee has also introduced procedures to review and assess, on an annual basis, the Directors' performance and that of Board Committees.

3.1.3. Remuneration Committee

The Board of Directors has established the Remuneration Committee for it 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. The Remuneration Committee met four times and is composed of Muni Krishna T. Reddy as Chairman, and Nicholas Ashford-Hodges and Andrew Borg Cardona LL.D. as members.

3.1.4. Investment Committee

The Investment Committee is responsible for developing investment strategies and policies with respect to investments that may be made by the Group. It is also responsible for the formulation, monitoring, and review of the Group's investment processes. The Investment Committee meets at least once every quarter and is composed of Christopher J. Pace as Chairman, and Nicholas Ashford-Hodges and Muni Krishna T. Reddy as members.

3.2. Executive Committee

The Executive Committee is vested with the responsibility of the Group's day-to-day business and the implementation of the strategy laid down by the Board of Directors. The Executive Committee meets at least once every month and is chaired by Nicholas Portelli, the Chief Executive Officer. The Executive Committee currently includes the following members:

James Blake	Chief Officer Investor and Public Relations
Adrian Bonett	Chief Operating Officer
Oliver Said	Chief Officer Business Development
Kevin Vella	Chief Financial Officer
Ian Zammit	Chief Officer Property Services

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. No material transactions in the Company's shares were effected in which any Director had a beneficial or non-beneficial interest. During the period between 31 December 2005 and the end of the financial period under review, British American Insurance Co. (Mtius) Ltd acquired a further 19,230 shares in GlobalCapital p.l.c., and Christopher J. Pace acquired a further 103,948 shares in the Company. Directors' interests in the share capital of the Company are disclosed on page 105 of this annual report.

5. Internal controls

GlobalCapital p.l.c. encompasses different areas of financial services which are regulated. During the year under review, the Board of Directors has reinforced the importance of maintaining effective internal controls and processes 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.

The Group's Risk Management Department is responsible for the identification and evaluation of key risks applicable to the various business activities of the Group. This function allows the Group to be in a better position to manage risk more effectively, making more informed decisions and ensuring that the risk to be taken is commensurate with the returns to be achieved.

During the year under review, the Group's compliance department has continued to ensure that the Group adheres to its regulatory commitments and acts as a point of contact between the Group and its regulators.

6. Annual General Meeting and communication with Shareholders

Business at the Company's Annual General Meeting to be held on 29 June 2007, will cover the approval of the Annual Report and Audited Financial Statements for the year ending 31 December 2006, the approval of a dividend to be paid to the Group's Shareholders, 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, updates and articles placed on the Group's website which was enhanced and re-launched during the year under review, the publication of company announcements and press releases, together with the publication of a quarterly newsletter for Shareholders known as 'In Touch'.

7. Corporate social responsibility

In line with its corporate social responsibilities, the Group has continued to embark on initiatives aimed at improving the quality of life of its various stakeholders. In order to streamline such initiatives and enhance the Group's efforts in this area, the Board of Directors has approved the setting up of the GlobalCapital Foundation which shall be officially launched during the forthcoming Annual General Meeting.

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 Group and the Company have adequate resources to continue operating for the foreseeable future. Accordingly, the Directors have adopted the going concern basis in preparing the financial statements.

Approved by the Board of Directors on 23 March 2007 and signed on its behalf by:

Christopher J. Pace
Chairman

Muni Krishna T. Reddy
Deputy Chairman

Remuneration committee report

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

The Committee is chaired by Muni Krishna T. Reddy, GOSK. The other members are Nicholas Ashford-Hodges and Andrew Borg Cardona LL.D. All of the members are non-executive Directors. During the financial year under review, four meetings of the Remuneration Committee were held and attended by all the Members of the Committee.

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.

The main elements of senior management remuneration packages are basic salary, benefits and performance-linked bonuses. In fact, a bonus scheme is in operation for the Group's executive Directors and senior managers. This scheme is linked to 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 introduction 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	Lm 37,917
Remuneration	Lm 140,131
Total emoluments	**Lm 178,048**

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 46 to 48 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

23 March 2007

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.

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 53 to 102 which comprise the consolidated and parent company balance sheets as at 31 December 2006 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 51, 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 2006, 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

23 March 2007

Profit and loss accounts

		Year ended 31 December			
		Group		Company	
		2006	2005	**2006**	2005
	Notes	**Lm**	Lm	**Lm**	Lm
Turnover – commission and fees receivable	3	**4,828,509**	3,086,959	**-**	-
Balance on the long term business of insurance technical account before tax (page 54)		**64,959**	786,912	**-**	-
Increment in the value of in-force business	7, 11	**129,000**	315,000	**-**	-
Gains on investment property	3, 6	**792,740**	-	**-**	-
Other operating income		**27,019**	6,337	**-**	-
Administrative expenses	4	**(2,446,692)**	(1,788,124)	**(49,694)**	(10,000)
Commission payable and direct marketing costs	4	**(368,038)**	(453,359)	**-**	-
Impairment of goodwill	11	**(300,000)**	(250,000)	**-**	-
Share of loss of associated undertaking	16	**(1,586)**	(382)	**-**	-
Operating profit/(loss)		**2,725,911**	1,703,343	**(49,694)**	(10,000)
Investment income, net of allocation to the insurance technical account	6	**744,448**	945,334	**1,287,491**	538,462
Investment charges and expenses	6	**(298,674)**	(23,074)	**(262,237)**	(80)
Profit before tax		**3,171,685**	2,625,603	**975,560**	528,382
Income tax expense	7	**(1,132,351)**	(1,011,809)	**(272,506)**	(188,463)
Profit for the financial year		**2,039,334**	1,613,794	**703,054**	339,919
Earnings per share (cents)	9	**15c4**	12c2		

Profit and loss accounts – continued

Technical account – long term business of insurance

	Notes	Year ended 31 December Group 2006 Lm	2005 Lm
Earned premiums, net of reinsurance			
Gross premiums written	3	**4,169,850**	3,863,590
Outward reinsurance premiums		**(231,542)**	(312,971)
		3,938,308	3,550,619
Investment income	6	**1,306,601**	2,226,346
Total technical income		**5,244,909**	5,776,965
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		**903,537**	831,970
- reinsurers' share		**(242,004)**	(137,477)
		661,533	694,493
Change in the provision for claims			
- gross amount		**(49,478)**	(30,718)
- reinsurers' share		**105,973**	34,924
	18	**56,495**	4,206
Claims incurred, net of reinsurance		**718,028**	698,699
Change in other technical provisions, net of reinsurance			
Insurance contracts			
- gross amount		**1,028,000**	940,000
- reinsurers' share		**6,000**	(4,000)
		1,034,000	936,000
Investment contracts with DPF - gross		**2,216,000**	2,213,000
Change in other technical provisions, net of reinsurance	18	**3,250,000**	3,149,000
Net operating expenses	4	**1,180,357**	1,061,126
Investment charges and expenses	6	**31,565**	81,228
Total technical charges		**5,179,950**	4,990,053
Balance on the long term business of insurance technical account before tax (page 53)		**64,959**	786,912
Tax expense attributable to the long term business	7	**(46,673)**	(287,392)
Balance on the long term business of insurance technical account		**18,286**	499,520

Balance sheets

		As at 31 December			
		Group		**Company**	
	Notes	**2006**	2005	**2006**	2005
		Lm	Lm	**Lm**	Lm
ASSETS					
Intangible assets	11	**3,433,890**	3,658,957	**-**	-
Deferred income tax	12	**38,729**	34,095	**-**	-
Property, plant and equipment	13	**2,333,694**	2,234,835	**-**	-
Investment property	14	**6,484,184**	4,054,239	**222,271**	-
Investment in group undertakings	15	**-**	-	**9,080,362**	9,080,362
Investment in associated undertaking	16	**1,468,632**	1,388,518	**-**	-
Other investments	17	**21,676,730**	12,096,905	**6,021,036**	-
Reinsurers' share of technical provisions	18	**386,803**	498,776	**-**	-
Taxation receivable		**232,731**	108,635	**149,050**	59
Stock – property held for development	19	**1,498,687**	-	**-**	-
Trade and other receivables	20	**1,417,270**	1,164,412	**1,566,727**	712,463
Cash and cash equivalents	27	**2,474,269**	3,218,263	**152,830**	60,047
Total assets		**41,445,619**	28,457,635	**17,192,276**	9,852,931
EQUITY AND LIABILITIES					
Capital and reserves attributable to the Company's Shareholders					
Share capital	23	**1,650,943**	1,650,943	**1,650,943**	1,650,943
Share premium account	24	**7,285,496**	7,285,496	**7,285,496**	7,285,496
Other reserves	25	**1,216,721**	472,578	**-**	-
Profit and loss account		**2,525,659**	1,788,486	**598,895**	453,859
Total equity		**12,678,819**	11,197,503	**9,535,334**	9,390,298
Technical provisions	18	**16,978,459**	13,783,937	**-**	-
Interest-bearing borrowings	21	**8,679,301**	1,335,896	**7,160,204**	-
Deferred income tax	12	**848,867**	517,915	**8,961**	-
Trade and other payables	22	**1,635,960**	1,237,495	**487,777**	462,633
Current income tax liabilities		**624,213**	384,889	**-**	-
Total liabilities		**28,766,800**	17,260,132	**7,656,942**	462,633
Total equity and liabilities		**41,445,619**	28,457,635	**17,192,276**	9,852,931

The financial statements on pages 53 to 102 were authorised for issue by the Board on 23 March 2007 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 2005		1,650,943	7,285,496	252,187	781,403	9,970,029
Profit for the financial year		-	-	-	1,613,794	1,613,794
Increment in value of in-force business, transferred to other reserves	25	-	-	205,000	(205,000)	-
Investment property - fair value gains, net of deferred income tax, transferred to other reserves	25	-	-	15,391	(15,391)	-
Net income/(expense) recognised directly in equity		-	-	220,391	(220,391)	-
Total recognised income for 2005		-	-	220,391	1,393,403	1,613,794
Dividends	10	-	-	-	(386,320)	(386,320)
Balance at 31 December 2005		**1,650,943**	**7,285,496**	**472,578**	**1,788,486**	**11,197,503**
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	25	-	-	84,000	(84,000)	-
Investment property - fair value gains, net of deferred income tax, transferred to other reserves	25	-	-	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	10	-	-	-	(558,018)	(558,018)
Balance at 31 December 2006		**1,650,943**	**7,285,496**	**1,216,721**	**2,525,659**	**12,678,819**

As at 31 December 2006, unrealised fair value gains attributable to Shareholders, net of taxation, amounting to Lm783,380 have been credited to the profit and loss account (as at 31 December 2005: unrealised fair value gains, net of taxation, amounting to Lm329,943).

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 2005		1,650,943	7,285,496	500,260	9,436,699
Profit for the financial year		-	-	339,919	339,919
Dividends	10	-	-	(386,320)	(386,320)
Balance at 31 December 2005		**1,650,943**	**7,285,496**	**453,859**	**9,390,298**
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	10	-	-	(558,018)	(558,018)
Balance at 31 December 2006		**1,650,943**	**7,285,496**	**598,895**	**9,535,334**

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

Cash flow statements

		Year ended 31 December			
		Group		Company	
		2006	2005	**2006**	2005
	Notes	**Lm**	Lm	**Lm**	Lm
Operating activities					
Cash generated from/(used in) operations	26	**2,924,481**	3,493,080	**(377,307)**	425,397
Dividends received	6	**204,739**	182,251	**13,023**	-
Interest received	6	**494,825**	344,095	**95,019**	-
Interest paid		**(34,155)**	(23,074)	**(2,115)**	(80)
Tax (paid)/received		**(645,805)**	(214,604)	**(8,690)**	18,352
Net cash generated from/(used in) operating activities		**2,944,085**	3,781,748	**(280,070)**	443,669
Investing activities					
Purchase of intangible assets	11	**(50,144)**	(51,084)	**-**	-
Purchase of property, plant and equipment	13	**(666,162)**	(299,485)	**-**	-
Disposal of property, plant and equipment		**63,931**	173	**-**	-
Purchase of investment property	14	**(1,245,599)**	(1,973,406)	**(222,271)**	-
Disposal of investment property		**281,642**	500,000	**-**	-
Purchase of investment in associated undertaking	16	**(81,700)**	(1,388,900)	**-**	-
Purchase of investments at fair value through profit or loss	17	**(9,000,857)**	(4,426,004)	**(3,928,952)**	-
Disposal of investments at fair value through profit or loss	17	**2,578,554**	3,258,521	**545,049**	-
Net movement on other investments – loans and receivables	17	**(2,341,502)**	687,491	**(2,611,530)**	-
Repayment of loans in connection with purchase of property for own use	21	**(24,028)**	(63,325)	**-**	-
Net cash used in investing activities		**(10,485,865)**	(3,756,019)	**(6,217,704)**	-
Financing activities					
Dividends paid	10	**(558,018)**	(386,320)	**(558,018)**	(386,320)
Increase in borrowings	21	**302,866**	944,206	**-**	-
Net proceeds from bond issue	21	**7,130,940**	-	**7,130,940**	-
Net cash generated from/(used in) financing activities		**6,875,788**	557,886	**6,572,922**	(386,320)
Movement in cash and cash equivalents		**(665,992)**	583,615	**75,148**	57,349
Cash and cash equivalents at beginning of year		**3,122,626**	2,539,011	**60,047**	2,698
Cash and cash equivalents at end of year	27	**2,456,634**	3,122,626	**135,195**	60,047

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 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 its 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 2006

In 2006, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2006. The adoption of these revisions to the requirements of IFRSs did not result in substantial changes to the Group's accounting policies.

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 that are mandatory for the Group's accounting periods beginning after 1 January 2006. 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.

The Group has considered the requirements of IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007). IFRS 7 requires the disclosure of qualitative and quantitative information about exposure to market risks arising from financial instruments, including specified minimum disclosures such as sensitivity analysis to market risk. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that certain additional disclosures would be necessary upon application of these requirements.

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.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

A listing of the Group's principal subsidiaries is set out in Note 15.

(b) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates 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 associates is set out in Note 16.

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.

(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.

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. Other investments

The Group classifies its investments 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 investments were acquired. The Directors determine the appropriate classification of the Group's investments 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 investments 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 investment 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, interest bearing deposits and advances.

All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the assets. All investments 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. Investments are derecognised when the rights to receive cash flows from the investments 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. Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the profit and loss account in the period in which they arise.

The fair value of quoted investments 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. Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Group gathers the objective evidence that a receivable 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).

13. Insurance contracts and investment contracts with DPF

(a) *Classification*

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

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

- 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.

13. Insurance contracts and investment contracts with DPF — continued

(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.

(ii) *Long term contracts*

<u>Insurance contracts without DPF</u>
These contracts insure events associated with human life (mainly for death) over a long and fixed duration. The guaranteed and fixed element for these contracts relates to the sum assured, i.e. the benefit payable on death.

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

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

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

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

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

(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.

13. Insurance contracts and investment contracts with DPF — continued

(b) *Recognition and measurement* — continued

(ii) *Long term contracts* — continued

(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.

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)).

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 13. Other turnover 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) *Interest income*

Interest income from financial assets not classified as fair value through profit or loss is recognised on a time-proportion basis 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.

(c) *Dividend income*

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

(d) *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 Group'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 comprises investment income, including realised and unrealised investment gains and losses, 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 in their entirety 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 11 to the financial statements.

(b) *Value of in-force business*

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

(c) *Fair valuation of investment property*

During the year the Group completed the acquisition of an investment property situated on the outskirts of Rome for a total cost of Lm1,764,188. Total unrealised fair value gains on investment property amounted to Lm1,170,897 in 2006 which included an unrealised gain of Lm772,740 that was recorded on the Rome property . The fair value as at 31 December 2006 was based on discounted cash flow projections taking account of future potential rental income streams, and using a discount rate that reflects the current assessment of the uncertainty in the amount and timing of the cash flows. It is further supported by an independent valuation sought from an Italian professional valuer. Details of key assumptions and sensitivity for the fair valuation are provided in Note 14 to the financial statements.

The Group has also considered potential bid prices tendered by international property consultants, which exceed the carrying value recognised as at 31 December 2006. Given the unique nature of the property, and a less active market, the discounted cash flow model was considered to be the appropriate basis for the measurement of fair value in the financial statements as at the year end.

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.

(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 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 contacts are also protected through selective facultative 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.

2. Management of insurance and financial risk – continued

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

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

Financial risk

The Group is exposed to financial risk through its financial assets and liabilities, reinsurance assets, and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts with DPF. The most important components of financial risk are interest rate risk, credit risk, liquidity and price risk, and currency risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

The Group manages these positions through adherence to an investment policy. The policy adopted is modelled to take into account actuarial recommendations, and is developed to achieve long term investment returns in excess of its obligations under insurance and investment contracts with DPF. The principal technique underlying the Group's framework is to broadly match assets to the liabilities arising from insurance and investment contracts with DPF by reference to the type of benefits payable to contract holders, and the recommended portfolio mix as advised by the approved actuary.

The Group's investment policy is formally approved by the Board of Directors. Portfolio review processes and investment decisions are delegated to a dedicated Investment Committee. 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. Note 17 to the financial statements incorporates further information on derivatives.

(a) *Interest rate risk*

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

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.

2. Management of insurance and financial risk – continued

(a) *Interest rate risk* – continued

Notes 17, 20, 21, 22 and 27 incorporate interest rate and maturity information with respect to the Group's assets and liabilities. The Group is exposed to the risk of fluctuating market interest rates. 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. The Group is also exposed to fair value interest rate risk in respect of the fixed interest bond issued during the year. As at the balance sheet date the Directors considered that no hedging arrangements were necessary to address this risk, which is monitored on an ongoing basis by the Board.

(b) *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 17 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.

Concentration of 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.

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.

(c) *Liquidity and price 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.

The Group's listed securities are considered to be readily realisable as they are listed on the Malta Stock Exchange or on a recognised foreign stock exchange. A significant holding accounted for 11% of the Group's total assets as at 31 December 2006 (2005: 9%). Further detail on listed investments is provided in Note 17 to the financial statements.

The Group's financial assets are also susceptible to market price risk arising from uncertainty about the future prices of these investments. This risk is mitigated through the adherence to an investment policy geared towards diversification as described earlier.

(d) *Currency risk*

The Group's exposure to foreign exchange risk arises primarily from investments that are denominated in currencies other than the Maltese lira. As at 31 December, the Group's exposure to foreign currency investments (principally comprising a mix of Euro, US Dollar and UK pound) represented 21% of the Group's total investments (2005: 13%). Currency exposure is regulated by the Regulations underlying the Insurance Business Act, 1998, in so far as life assurance business is concerned. It is further noted that Malta joined the Exchange Rate Mechanism II (ERMII) on 29 April 2006 further limiting the Group's exposure to exchange differences arising from investments held in Euro. As a result of all of the above factors, the Directors do not consider the Group's exposure to exchange risk to be significant.

3. Segmental analysis

Group

	Investment and advisory services Lm	Business of insurance Lm	Agency and brokerage services Lm	Property services Lm	Eliminations 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 goodwill	2,272,169	(10,378)	14,410	749,710	-	3,025,911
Impairment of goodwill (Note 11)	(100,000)	(200,000)	-	-	-	(300,000)
Operating profit	2,172,169	(210,378)	14,410	749,710	-	2,725,911
Investment return (Note 6)						445,774
Profit before tax						3,171,685
Income tax expense (Note 7)						(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

Group

	Investment and advisory services Lm	Business of insurance Lm	Agency and brokerage services Lm	Property services Lm	Eliminations Lm	Group Lm
Year ended 31 December 2005						
Gross premiums written						
- long term business	-	3,863,590	-	-	-	3,863,590
Commission, fees and rent receivable	2,575,982	-	512,323	91,421	(92,767)	3,086,959
Total turnover	2,575,982	3,863,590	512,323	91,421	(92,767)	6,950,549
Segment result before goodwill	921,259	964,444	10,956	56,684	-	1,953,343
Impairment of goodwill (Note 11)	(100,000)	(150,000)	-	-	-	(250,000)
Operating profit	821,259	814,444	10,956	56,684	-	1,703,343
Investment return (Note 6)						922,260
Profit before tax						2,625,603
Income tax expense (Note 7)						(1,011,809)
Profit for the financial year						1,613,794
Segment assets	2,098,920	17,522,828	583,658	4,474,645	(129,838)	24,550,213
Unallocated assets						3,907,422
						28,457,635
Segment liabilities	644,972	14,295,400	112,521	984,726	5,005	16,042,624
Unallocated liabilities						1,217,508
						17,260,132
Other segment items						
Impairment of receivables	10,000	21,543	-	-		
Capital expenditure	148,469	61,048	3,597	-		
Amortisation	34,453	18,165	2,191	-		
Depreciation	80,841	68,255	16,851	-		
Unrealised fair value gains						
- investment property	-	50,000	-	-		
- financial assets	-	974,491	-	-		

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 2006 and 2005, 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
- 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 (2005: Lm92,767).

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.

The segment result for investment and advisory services includes a performance fee of Lm2,507,472 (2005: Lm716,772) 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	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Staff costs (Note 5)	**1,788,723**	1,388,691	**-**	-
Commission and direct marketing costs	**848,182**	933,001	**-**	-
Amortisation of computer software (Note 11)	**59,211**	54,809	**-**	-
Depreciation of property, plant and equipment (Note 13)	**220,297**	183,638	**-**	-
Operating lease rentals payable	**119,572**	42,655	**-**	-
Amortisation of bond issue costs (Note 21)	**11,629**	-	**11,629**	-
Other expenses	**1,021,528**	782,080	**38,065**	10,000
	4,069,142	3,384,874	**49,694**	10,000
Allocated as follows:				
Technical account:				
- claims incurred	**74,055**	82,265	**-**	-
- net operating expenses	**1,180,357**	1,061,126	**-**	-
Non-technical account	**2,814,730**	2,241,483	**49,694**	10,000
	4,069,142	3,384,874	**49,694**	10,000

Auditor's remuneration for the current financial year amounted to Lm32,950 (2005: Lm28,000) for the Group and Lm7,750 (2005: Lm6,000) for the Company.

Actuarial valuation fees for the current financial year amounted to Lm30,000 (2005: Lm26,250) for the Group.

5. Staff costs

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Wages and salaries	**1,707,548**	1,312,325	**537,597**	759,228
Social security costs	**81,175**	76,366	**28,662**	37,661
	1,788,723	1,388,691	**566,259**	796,889
Recharged to group undertakings	**-**	-	**(566,259)**	(796,889)
	1,788,723	1,388,691	-	-

The average number of persons employed during the year:

	Group		Company	
	2006	2005	**2006**	2005
Managerial	**25**	36	**16**	20
Sales	**47**	26	**9**	18
Administrative	**73**	61	**43**	30
	145	123	**68**	68

Staff costs for 2006 included Lm45,625 (2005: Lm38,400) relating to bonuses linked to the Company's future share price movements over a defined period.

6. Investment return

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Investment income				
Rental income from investment property	**100,707**	86,285	**-**	-
Dividends received from shares in group undertakings	**-**	-	**1,153,846**	538,462
Dividends received from investments at fair value through profit or loss	**204,739**	182,251	**13,023**	-
Interest receivable from:				
- investments at fair value through profit or loss	**349,975**	214,160	**8,892**	-
- receivables due from group undertakings	**-**	-	**74,750**	-
- other loans and receivables	**144,850**	129,935	**11,377**	-
Net fair value gains – investment property	**1,227,498**	50,000	**-**	-
Net fair value gains – financial investments at fair value through profit or loss	**816,020**	2,507,843	**25,603**	-
Exchange gains	**-**	1,206	**-**	-
	2,843,789	3,171,680	**1,287,491**	538,462
Investment charges and expenses				
Investment management charges, including exchange differences	**36,543**	81,228	**-**	-
Interest payable and other charges	**273,695**	23,074	**241,655**	80
Exchange losses	**20,001**	-	**20,582**	-
	330,239	104,302	**262,237**	80
Total investment return	**2,513,550**	3,067,378	**1,025,254**	538,382
Allocated as follows:				
Technical account – long term business of insurance	**1,275,036**	2,145,118	**-**	-
Profit and loss account	**1,238,514**	922,260	**1,025,254**	538,382
	2,513,550	3,067,378	**1,025,254**	538,382

7. Income tax

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Income tax expense	**761,033**	397,265	**263,545**	188,463
Deferred income tax charge (Note 12)	**326,318**	504,544	**8,961**	-
Tax relating to value of in-force business	**45,000**	110,000	**-**	-
Income tax expense	**1,132,351**	1,011,809	**272,506**	188,463

7. **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	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Profit before tax	**3,171,685**	2,625,603	**975,560**	528,382
Tax on profit at 35%	**1,110,090**	918,961	**341,446**	184,934
Tax effect of:				
Non-deductible expenditure	**193,428**	146,721	**-**	3,529
Capitalisation of bond issue costs	**(66,336)**	-	**(66,336)**	-
Additional allowances available under S.15 of the Income Tax Act	**(13,700)**	(7,166)	**-**	-
Income subject to a reduced rate of tax	**(138,677)**	(2,812)	**(2,604)**	-
Impact of property transfers taxed at 12%	**16,092**	25,009	**-**	-
Other differences, including impact of deferred tax not recognised in prior years	**31,454**	(68,904)	**-**	-
Income tax expense	**1,132,351**	1,011,809	**272,506**	188,463
Allocated as follows:				
Technical account - long term business of insurance	**46,673**	287,392	**-**	-
Profit and loss account	**1,085,678**	724,417	**272,506**	188,463
Income tax expense	**1,132,351**	1,011,809	**272,506**	188,463

8. **Directors' emoluments**

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Fees	**37,917**	36,872	**37,917**	36,872
Remuneration	**140,131**	111,059	**140,131**	111,059
	178,048	147,931	**178,048**	147,931

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

The above emoluments include performance bonuses of Lm13,250 (2005: Lm11,375) that are linked to the Group's future share price movement over a defined period.

The above information for the Company for 2006 and 2005 includes salaries and emoluments amounting to Lm178,048 (2005: Lm147,931) 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 Lm38,076 (2005: Lm36,617).

9. 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	
	2006	2005
Net profit attributable to Shareholders	**Lm2,039,334**	Lm1,613,794
Weighted average number of ordinary shares in issue	**13,207,548**	13,207,548
Earnings per share	**15c4**	12c2

10. Dividends

At the forthcoming Annual General Meeting, a net 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 are to be proposed. These financial statements do not reflect this dividend payable, which will be accounted for in Shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2007. Further, the Directors paid a net interim dividend of Lm171,698 during 2006 equivalent to 1.3 cents per share (2005: Lm128,773 equivalent to 0.975 cents per share). The net final dividend declared in respect of 2005 and 2004 was Lm386,320 (2.925 cents per share) and Lm257,547 (1.95 cents per share) respectively.

11. Intangible assets

Group	Goodwill Lm	Value of in-force business Lm	Computer software Lm	Total Lm
At 1 January 2005				
Cost or valuation	3,219,629	620,000	315,833	4,155,462
Accumulated amortisation	(320,488)	-	(127,292)	(447,780)
Net book amount	2,899,141	620,000	188,541	3,707,682
Year ended 31 December 2005				
Opening net book amount	2,899,141	620,000	188,541	3,707,682
Additions	-	-	51,084	51,084
Increment in value of in-force business (Note 25)	-	205,000	-	205,000
Amortisation charge	-	-	(54,809)	(54,809)
Impairment charge	(250,000)	-	-	(250,000)
Closing net book amount	2,649,141	825,000	184,816	3,658,957
At 31 December 2005				
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 25)	-	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

Amortisation of computer software amounting to Lm59,211 (2005: Lm54,809) is included in administrative expenses.

Impairment tests for goodwill

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

In part, goodwill relates to synergies and specific investment opportunities which were created as a result of the merger. These elements of goodwill are not expected to have an indefinite life. The significance and measurability of business synergies is diluted as a business evolves, and on this basis an impairment charge of Lm100,000 was reflected during 2006 (2005: Lm100,000). The balance of this component of goodwill is expected to continue to yield economic benefits over the next 5 years.

11. Intangible assets – continued

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%. It is anticipated that this element of goodwill will be utilised as the related project profits are realised.

The largest component of the acquired goodwill relates to the business of insurance carried on by GlobalCapital Life Insurance Ltd. 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, based on three year financial estimates approved by management, extrapolated as a growth rate of 3% beyond that period, and capitalised at 7.5%.

In assessing its expectations of future maintainable earnings from insurance operations, management has given cognisance to the inherent uncertainties surrounding any long term projections, and to the impact of sensitivity analyses performed. An impairment charge of Lm200,000 (2005: Lm150,000) was allocated to this segment on the basis of a sensitivity analysis whereby future earnings were projected at 25% (2005: 15%) less than expected, which in the Directors' opinion adequately caters for the attendant risks. Should management's expectations of future annual maintainable earnings of the relevant businesses be discounted by a further 5% i.e. 30% below management's expectations, the Group would need to reduce the carrying value of goodwill by Lm350,000 (2005: Lm250,000).

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% (2005: 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 2005 valuation process, did not have a significant impact on the Group's results.

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 Lm105,000 (2005: Lm85,000);
- a 10% decrease in the projected investment return reduces the VOIFB by Lm115,000 (2005: Lm100,000); and
- a 10% increase in the discount factor reduces the VOIFB by Lm25,000 (2005: Lm25,000).

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

12. Deferred income tax

Deferred income taxes are calculated on temporary differences under the liability method using a principal tax rate of 35% (2005: 35%), except for temporary differences on investment property that are calculated under the liability method using a principal tax rate of 12% of the carrying amount.

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

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Balance at 1 January	**(483,820)**	20,724	**-**	-
Movements during the year:				
Profit and loss account (Note 7)	**(326,318)**	(504,544)	**(8,961)**	-
Balance at 31 December	**(810,138)**	(483,820)	**(8,961)**	-

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

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Accelerated tax depreciation	**(4,297)**	(20,966)	**-**	-
Unabsorbed tax credits	**113,676**	94,990	**-**	-
Provision for impairment of receivables	**22,810**	30,804	**-**	-
Fair value adjustments				
- financial investments	**(460,280)**	(435,383)	**(8,961)**	-
- investment property	**(482,047)**	(153,265)	**-**	-
Net deferred income tax liability	**(810,138)**	(483,820)	**(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	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Deferred tax asset	**38,729**	34,095	**-**	-
Deferred tax liability	**(848,867)**	(517,915)	**(8,961)**	-
	(810,138)	(483,820)	**(8,961)**	-

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

The deferred tax asset on unutilised tax losses and unabsorbed capital allowances has been recognised to the extent that realisation of the related tax benefit through future taxable income is probable.

12. Deferred income tax – continued

The Group had further unutilised tax losses amounting to Lm169,000 (2005: Lm169,000) available for relief against future taxable income. These losses give rise to a further deferred tax asset of Lm59,150 (2005: Lm59,150) that has not been recognised in these financial statements. These losses are capital in nature and can only be relieved against future capital losses.

13. Property, plant and equipment

Group	Land and buildings Lm	Office furniture, fittings & equipment Lm	Motor vehicles Lm	Total Lm
At 1 January 2005				
Cost	1,335,395	1,335,339	253,070	2,923,804
Accumulated depreciation	(14,264)	(719,184)	(71,195)	(804,643)
Net book amount	1,321,131	616,155	181,875	2,119,161
Year ended 31 December 2005				
Opening net book amount	1,321,131	616,155	181,875	2,119,161
Additions	137,455	113,555	48,475	299,485
Disposals	-	(269)	-	(269)
Depreciation charge	(17,691)	(117,506)	(48,441)	(183,638)
Depreciation released on disposals	-	96	-	96
Closing net book amount	1,440,895	612,031	181,909	2,234,835
At 31 December 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 14)	(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

Land and buildings amounting to Lm950,000 (2005: Lm900,000) are hypothecated in connection with bank finance obtained by the Group.

14. Investment property

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Year ended 31 December				
Opening net book amount	**4,054,239**	2,030,833	**-**	-
Additions	**1,245,599**	1,973,406	**222,271**	-
Transferred from property, plant and equipment (Note 13)	**284,100**	-	**-**	-
Disposals	**(225,041)**	-	**-**	-
Transferred to stocks – property held for development (Note 19)	**(45,610)**	-	**-**	-
Fair value gains	**1,170,897**	50,000	**-**	-
Closing net book amount	**6,484,184**	4,054,239	**222,271**	-
At 31 December				
Cost	**4,946,846**	3,687,798	**222,271**	-
Accumulated fair value gains	**1,537,338**	366,441	**-**	-
Net book amount	**6,484,184**	4,054,239	**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 Lm772,740 that was recognised on a recently acquired investment property situated in Rome. The fair value for this property as at 31 December 2006 was based on discounted cash flow projections. In assessing expectations of future cash flows, management has considered the uncertainties inherent to projecting over the long term particularly for a property of this nature. The fair valuation assumes a post-tax equity cost of capital of 11.5%, cost of debt of 6.05%, and gearing of 55%, resulting in a post-tax weighted average cost of capital of 7.4%. The equity cost of capital includes a provision for specific risk factors such as tenancy risk and restrictions on marketability. A growth factor of 2% has been applied. Sensitivity on the assumptions underlying the valuation is applied as follows:

- an increase of 100 bps in the equity cost of capital reduces the fair value of the property by Lm300,000; and
- a reduction of 50 bps in the growth rate reduces the valuation by Lm335,000.

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

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 Lm632,260 as at 31 December 2006 (2005: Lm2,308,219). Payments on account of property commitments where title had not been transferred to the Company as at 31 December are included in investment property and amounted to Lm222,271 as at 31 December 2006. Borrowing costs of Lm47,653 were capitalised during the year and are included in 'Additions' for the Group.

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

	Group	
	2006	2005
	Lm	Lm
At 31 December		
Cost	**4,946,846**	3,687,789
Accumulated depreciation	**(82,264)**	(34,178)
Net book amount	**4,864,582**	3,653,611

15. Investment in group undertakings

Company

	Lm
Year ended 31 December 2006 and 2005	
Closing cost and net book amount	**9,080,362**

The principal group undertakings at 31 December 2006 are shown below:

Group undertakings	Registered office	Class of shares held	Percentage of shares held 2006	Percentage of shares held 2005
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%**	-
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 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%**	-
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 Roma RM, Italy	Ordinary shares	**100%**	100%

All new subsidiaries acquired during 2006 relate to companies incorporated by GlobalCapital p.l.c. 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.

16. Investment in associated undertaking

Group	**2006**	2005
	Lm	Lm
Year ended 31 December		
Opening net book amount	**1,388,518**	-
Additions	**81,700**	1,388,900
Share of loss of associated undertaking	**(1,586)**	(382)
Closing net book amount	**1,468,632**	1,388,518
As at 31 December		
Cost	**1,470,600**	1,388,900
Accumulated losses	**(1,968)**	(382)
Closing net book amount	**1,468,632**	1,388,518

The associated undertaking at 31 December:

Associate	**Registered office**	**Class of shares held**	**Percentage of shares held 2006**	2005
Metropolis Developments Limited	Level 14, Portomaso Business Tower, Portomaso, St. Julians Malta	Ordinary 'A' shares	**41%**	41%

At 31 December 2006, Metropolis Developments Limited's assets amounted to Lm3,659,167 (2005: Lm3,454,690) and liabilities amounted to Lm63,967 (2005: Lm55,622). The Company registered a loss during the period ended 31 December 2006 of Lm3,868 (2005: loss of Lm932). Commitments in relation to the above investment, representing uncalled share capital as at the financial year end, amounted to Lm163,400 (2005: Lm245,100).

17. Other investments

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

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Fair value through profit or loss	**18,652,298**	11,413,975	**3,409,506**	-
Loans and receivables	**3,024,432**	682,930	**2,611,530**	-
Total investments	**21,676,730**	12,096,905	**6,021,036**	-

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

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Equity securities and collective investment schemes:				
- listed shares	**7,767,619**	3,837,295	**1,216,343**	-
- collective investment schemes	**2,861,320**	2,612,267	**1,097,003**	-
- unlisted securities	**1,389,110**	110,845	**1,096,160**	-
	12,018,049	6,560,407	**3,409,506**	-
Debt securities – fixed interest rate:				
- government bonds	**4,441,541**	3,730,508	**-**	-
- listed corporate bonds	**2,151,722**	1,047,185	**-**	-
	6,593,263	4,777,693	**-**	-
Held for trading investments:				
- derivatives (CFDs)	**40,986**	75,875	**-**	-
Total investments at fair value through profit or loss	**18,652,298**	11,413,975	**3,409,506**	-

Maturity of fixed income debt securities:

	Group	
	2006	2005
	Lm	Lm
Within 1 year	**113,460**	276,654
Between 1 and 2 years	**212,826**	111,003
Between 2 and 5 years	**1,112,297**	700,584
Over 5 years	**5,154,680**	3,689,452
	6,593,263	4,777,693
Weighted average effective interest rate at balance sheet date	**6%**	6%

All other securities classified as fair value through profit or loss are non-current in nature.

17. Other investments – continued

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

Group investments amounting to Lm1,033,920 (2005: Lm1,011,350) were pledged in favour of third parties at the financial year end.

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

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Year ended 31 December				
Balance at 1 January	**11,413,975**	7,738,649	**-**	-
Additions	**9,000,857**	4,426,004	**3,928,952**	-
Disposals (sale and redemption) – cost	**(2,062,272)**	(2,517,513)	**(604,542)**	-
Net fair value gains	**299,738**	1,766,835	**85,096**	-
Balance at 31 December	**18,652,298**	11,413,975	**3,409,506**	-
At 31 December				
Cost	**16,308,476**	9,369,891	**3,324,410**	-
Accumulated fair value gains	**2,343,822**	2,044,084	**85,096**	-
Net book amount	**18,652,298**	11,413,975	**3,409,506**	-

The Group's investments at fair value through profit or loss include held for trading instruments, consisting of funds held with a broker for investment in derivative financial instruments, principally CFDs and index futures. As at the balance sheet date, the Group's outstanding derivative contracts consisted of equity CFDs with a notional amount of Lm90,744 (2005: Lm190,850), which is based on the fair value of the underlying equity instruments as at year end. Unrealised gains and losses arising on the underlying equity positions are reflected in the carrying amount of the Group's held for trading instruments. CFDs are traded principal-for-principal with no market quote, are open-ended and positions can be settled at carrying amounts featuring on the respective CFD account.

(b) *Loans and receivables*

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Loans to group undertakings	**-**	-	**2,611,530**	-
Loans secured on policies	**36,654**	32,516	**-**	-
Deposits with banks or credit institutions	**2,987,778**	650,414	**-**	-
	3,024,432	682,930	**2,611,530**	-

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

17. Other investments – continued

(b) *Loans and receivables* – continued

Maturity of deposits with banks or credit institutions:

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Within 3 months	**2,987,778**	650,414	**-**	-
Weighted average effective interest rate at balance sheet date	**2%**	3%	**-**	-

Loans secured on policies are substantially non-current in nature. They are charged with interest at the rate of 8% (2005: 8%) per annum.

18. Technical provisions

	Group	
	2006	2005
	Lm	Lm
Insurance contracts	**7,471,656**	6,364,424
Investment contracts with DPF	**9,120,000**	6,920,737
Total technical provisions	**16,591,656**	13,285,161

The movements in technical provisions are analysed below:

	Insurance contracts	Investment contracts with DPF	Total
	Lm	Lm	Lm
Year ended 31 December 2005			
Opening balance	5,440,955	4,691,000	10,131,955
Charged to profit and loss account			
- change in the provision for claims	(12,531)	16,737	4,206
- change in other technical provisions	936,000	2,213,000	3,149,000
Closing balance	6,364,424	6,920,737	13,285,161
Year ended 31 December 2006			
Opening balance	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
Closing balance	7,471,656	9,120,000	16,591,656

18. Technical provisions – continued

Insurance contracts are further analysed as follows:

	Group 2006 Lm	Group 2005 Lm
Gross technical provisions – insurance contracts		
Short term insurance contracts		
- claims outstanding	**45,551**	31,275
- other provisions	**67,000**	96,000
Long term insurance contracts		
- claims outstanding	**212,908**	259,925
- long term business provision	**7,533,000**	6,476,000
	7,858,459	6,863,200
Reinsurers' share of technical provisions – insurance contracts		
Short term insurance contracts		
- claims outstanding	**2,688**	6,776
- other provisions	**20,000**	33,000
Long term insurance contracts		
- claims outstanding	**97,115**	199,000
- long term business provision	**267,000**	260,000
	386,803	498,776
Net technical provisions – insurance contracts		
Short term insurance contracts		
- claims outstanding	**42,863**	24,499
- other provisions	**47,000**	63,000
Long term insurance contracts		
- claims outstanding	**115,793**	60,925
- long term business provision	**7,266,000**	6,216,000
	7,471,656	6,364,424

Investment contracts with DPF include claims outstanding amounting to Lm Nil (2005: Lm16,737). 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, 2005, reflecting current investment yields, adjusted by a margin of contingency. Allowance is made for policy maintenance expenses at a rate determined by reference to the insurance company's cost base. The calculation assumes the continuation of existing tax legislation and rates.

(b) Changes in assumptions

During the year, investment return assumptions were revised downwards in accordance with market interest movements. Revisions were also effected to policy expense expectations. The combined impact of these changes in assumptions was not significant, and has been charged against the insurance technical result for the year.

18. Technical provisions – continued

(c) Sensitivity analysis

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

	Increase in liability	
	2006	2005
	Lm	Lm
Variable		
10% loading applied to mortality assumptions	**19,000**	13,000
Lowering of investment return by 25 basis points (2005: 25 basis points)	**26,000**	34,000

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

19. Stock – property held for development

	Group	
	2006	2005
	Lm	Lm
Year ended 31 December		
Additions	**1,453,077**	-
Transferred from investment property (Note 14)	**45,610**	-
Closing cost and net book amount	**1,498,687**	-

Property development projects amounting to Lm500,000 are hypothecated in connection with bank finance obtained by the Group.

20. Trade and other receivables

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Trade receivables – third parties	**645,998**	642,526	**-**	-
Trade receivables – related parties	**10,173**	12,940	**-**	-
Less: impairment of receivables	**(65,173)**	(88,011)	**-**	-
Trade receivables – net	**590,998**	567,455	**-**	-
Other loans and receivables:				
Receivables from group undertakings	**-**	-	**1,548,951**	712,000
Receivable from associated undertaking	**45,172**	39,929	**4,248**	-
Receivables from related parties	**41,604**	46,421	**316**	-
Other taxation receivable	**144,400**	144,857	**-**	-
Prepayments	**98,883**	130,919	**730**	-
Accrued investment income	**148,810**	101,674	**-**	-
Other receivables	**347,403**	133,157	**12,482**	463
	1,417,270	1,164,412	**1,566,727**	712,463

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

All of the above amounts are current in nature.

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

21. Interest-bearing borrowings

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Short term – falling due within one year				
Bank overdraft (Note 27)	**17,635**	95,637	**17,635**	-
Bank loans	**109,744**	24,499	**-**	-
	127,379	120,136	**17,635**	-
Long term – falling due after more than one year				
5.6% bonds 2014/2016	**7,142,569**	-	**7,142,569**	-
Bank loans	**1,409,353**	1,215,760	**-**	-
	8,551,922	1,215,760	**7,142,569**	-
Total borrowings	**8,679,301**	1,335,896	**7,160,204**	-

21. Interest-bearing borrowings – continued

The maturity of long term borrowings is as follows:

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Between 1 and 2 years	**208,419**	110,531	**-**	-
Between 2 and 5 years	**692,070**	366,603	**-**	-
Over 5 years	**7,651,433**	738,626	**7,142,569**	-
	8,551,922	1,215,760	**7,142,569**	-

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 2006 was €100.10, which in the opinion of the Directors fairly represented the fair value of these financial liabilities.

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

	2006	2005
	Lm	Lm
Proceeds		
€17,000,000, 5.6% bonds 2014/2016	**7,332,100**	-
Less:		
Issue costs	**201,160**	-
Accumulated amortisation	**(11,629)**	-
	189,531	-
Net proceeds	**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 4.85% (2005: 4.5%) per annum.

The bank overdraft facility is secured by a pledge on investments, and bears interest at a floating interest rate of 4.6% (2005: 4.35%) per annum.

22. Trade and other payables

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Trade payables	**409,581**	400,488	**-**	-
Amounts due to group undertakings	**-**	-	**214,102**	436,514
Amounts due to related parties	**15,140**	10,208	**-**	-
Other taxation and social security	**27,954**	16,997	**-**	-
Accruals and deferred income	**1,059,012**	687,313	**247,950**	5,532
Other payables	**124,273**	122,489	**25,725**	20,587
	1,635,960	1,237,495	**487,777**	462,633

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.

23. Share capital

	Group and Company	
	2006	2005
	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

24. Share premium account

	Group and Company	
	2006	2005
	Lm	Lm
Share premium	**7,285,496**	7,285,496

25. Other reserves

Group	Value of in-force business Lm	Other unrealised gains Lm	Total Lm
Year ended 31 December 2005			
Opening balance	196,000	56,187	252,187
Fair value gains on investment property, net of deferred income tax, transferred from retained earnings	-	15,391	15,391
Increment in value of in-force business, transferred from retained earnings (Note 11)	205,000	-	205,000
Closing balance	401,000	71,578	472,578
Year ended 31 December 2006			
Opening balance	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 11)	84,000	-	84,000
Closing balance	485,000	731,721	1,216,721

The above reserves are not distributable.

26. Cash generated from/(used in) operations

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

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Operating profit/(loss)	**2,725,911**	1,703,343	**(49,694)**	(10,000)
Adjustments for:				
Investment income allocated to operating profit	**(2,003,612)**	(2,140,061)	**-**	-
Share of loss of associated undertaking (Note 16)	**1,586**	382	**-**	-
Exchange differences (Note 6)	**(20,001)**	1,206	**(20,582)**	-
Increment in value of in-force business	**(129,000)**	(315,000)	**-**	-
Impairment/amortisation	**370,840**	304,809	**11,629**	-
Depreciation (Note 13)	**220,297**	183,638	**-**	-
Technical provisions (net) (Note 18)	**3,306,495**	3,153,206	**-**	-
Impairment of receivables (Note 20)	**(22,838)**	31,543	**-**	-
Gain on disposal of fixed assets	**(1,025)**	-	**-**	-
Changes in working capital:				
Stock - property held for development	**(1,453,077)**	-	**-**	-
Trade and other receivables	**(230,020)**	171,247	**(104,264)**	10,573
Trade and other payables	**158,925**	398,767	**(214,396)**	424,824
Cash generated from/(used in) operations	**2,924,481**	3,493,080	**(377,307)**	425,397

27. Cash and cash equivalents

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

	Group		Company	
	2006	2005	**2006**	2005
	Lm	Lm	**Lm**	Lm
Cash at bank and in hand	**2,474,269**	3,218,263	**152,830**	60,047
Bank overdraft	**(17,635)**	(95,637)	**(17,635)**	-
	2,456,634	3,122,626	**135,195**	60,047

Cash and cash equivalents bear interest at a weighted average floating interest rate of 3.3%.

28. 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 2006 and 2005, the carrying amounts of other financial assets and liabilities 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.

29. 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	
	2006	2005
	Lm	Lm
Commission receivable from related parties	**67,071**	120,316
Commission receivable on investments made by Global Funds SICAV p.l.c (see note below)	**61,661**	47,962
Fees receivable in respect of advice provided to Global Funds SICAV p.l.c (see note below)	**2,581,597**	791,224
Rent payable to related parties	**15,492**	16,874
Investment property acquired from a related party (see note below)	**420,000**	-

GlobalCapital Fund Advisors Limited, a group undertaking, acts as Investment Advisor to Global Funds SICAV p.l.c. The advisory and performance fees earned by this group undertaking from its activity as Investment Advisor are included in turnover. The Chief Risk Officer of the Group is also a Director of Global Funds SICAV p.l.c.

During the year 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 20 and 22 to these financial statements. No impairment loss has been recognised in 2006 and 2005 in respect of receivables from related parties. Investments in related entities as at 31 December 2006 and 2005 were Lm1,756,821 (2005: Lm572,636).

Related parties subscribing to Metropolis Developments Limited include Pace Investments Limited, a company owned by 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 David Aquilina (33%), a non executive Director of Britam Limited, a subsidiary within the Group. The balance due from this associated undertaking is disclosed in Note 20. Interest receivable from Metropolis Developments Limited during the year amounted to Lm995 (2005: Lm23,304).

As at the balance sheet date bonds with a nominal value of Lm432,262 were held by related parties.

The compensation to Directors in 2006 and 2005 is disclosed in Note 8 to the financial statements.

29. Related party transactions – continued

Company

All companies forming part of the GlobalCapital Group are considered by the Directors to be related parties as these companies are also ultimately owed by GlobalCapital p.l.c. Related parties that do not form part of the consolidated Group include entities related by way of common Directors and ultimate Shareholders. The following transactions were carried out by the Company with related parties:

	2006	2005
	Lm	Lm
Proceeds on disposals of other investments to group undertakings	**539,800**	-

Dividends and interest receivable from group undertakings are disclosed in Note 6. Amounts owed by or to group undertakings and related parties are disclosed in Notes 17, 20 and 22.

Investments in related entities as at 31 December 2006 were Lm928,403 (2005: Nil).

30. Commitments

Operating lease commitments – where the Group is a lessee

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

	Group	
	2006	2005
	Lm	Lm
Not later than one year	**92,612**	39,087
Later than one year and not later than five years	**255,159**	67,307
	347,771	106,394

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	
	2006	2005
	Lm	Lm
Not later than one year	**110,633**	41,563
Later than one year and not later than five years	**24,382**	22,276
	135,015	63,839

30. Commitments – continued

Other commitments

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

	Group	
	2006	2005
	Lm	Lm
Authorised and contracted:		
- computer software	**48,070**	122,000
- property development	**1,713,853**	981,000
	1,761,923	1,103,000
Authorised but not contracted:		
- property, plant and equipment	**390,200**	267,940
- property development	**736,500**	-
	1,126,700	267,940

31. Statutory information

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

Five year summary

Profit & loss accounts

	Group 2006 Lm	Group 2005 Lm	Group 2004 Lm	Group 2003 Lm	Group 2002 Lm
Turnover – commission and fees receivable	**4,828,509**	3,086,959	2,466,452	1,438,788	788,260
Gross premiums written	**4,169,850**	3,863,590	4,418,134	3,478,288	-
Operating profit/(loss)	**2,725,911**	1,703,343	1,313,430	282,976	(291,992)
Profit/(loss) before tax	**3,171,685**	2,625,603	1,403,652	470,231	(391,773)
Tax (expense)/income	**(1,132,351)**	(1,011,809)	(344,205)	(167,312)	107,983
Profit/(loss) before minority interest	**2,039,334**	1,613,794	1,059,447	302,919	(283,790)
Minority interest	**-**	-	-	-	4,812
Profit/(loss) for the financial year	**2,039,334**	1,613,794	1,059,447	302,919	(278,978)

Balance sheets

	Group 2006 Lm	Group 2005 Lm	Group 2004 Lm	Group 2003 Lm	Group 2002 Lm
ASSETS					
Intangible assets	**3,433,890**	3,658,957	3,707,682	3,628,572	58,172
Property, plant and equipment	**2,333,694**	2,234,835	2,119,161	2,272,350	541,878
Investment property	**6,484,184**	4,054,239	2,030,833	1,595,000	400,000
Investments	**23,145,362**	13,485,423	9,109,070	6,515,997	1,118,441
Stock - property held for development	**1,498,687**	-	-	-	-
	36,895,817	23,433,454	16,966,746	14,011,919	2,118,491
Other non current assets	**658,263**	641,506	664,948	239,710	241,309
Current assets	**3,891,539**	4,382,675	4,431,130	2,537,938	494,014
Total assets	**41,445,619**	28,457,635	22,062,824	16,789,567	2,853,814
EQUITY & LIABILITIES					
Capital and reserves	**12,678,819**	11,197,503	9,970,029	8,996,432	2,485,966
Provisions for liabilities and charges	**17,827,326**	14,301,852	10,689,427	6,802,716	-
Interest-bearing borrowings	**8,679,301**	1,335,896	384,295	470,832	137,838
Other liabilities	**2,260,173**	1,622,384	1,019,073	519,587	230,010
Total equity and liabilities	**41,445,619**	28,457,635	22,062,824	16,789,567	2,853,814

Accounting ratios

	Group 2006	Group 2005	Group 2004	Group 2003	Group 2002
Commission, fees receivable and gross premium written to total assets	**22%**	24%	31%	29%	28%
Net operating expenses to total assets	**7%**	8%	8%	8%	38%
Net profit/(loss) to commission, fees receivable and gross premium written	**23%**	23%	15%	6%	-35%
Operating profit/(loss) to commission, fees receivable and gross premium written	**30%**	25%	19%	6%	-37%
Pre-tax return on capital employed	**25%**	23%	14%	5%	-16%
Shares in issue at year end	**13,207,548**	13,207,548	13,207,548	13,207,548	7,000,000
Weighted number of shares in issue during the year (1)	**13,207,548**	13,207,548	13,207,548	12,935,436	7,000,000
Net assets per share (cents)	**96.0**	84.8	75.5	68.1	35.5
Earnings per share (cents)	**15.4**	12.2	8.0	2.3	-4.0
Dividend cover (times)	**3.0**	3.1	4.1	3.5	n/a

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

Share register information

	as at 31 December 2006	as at 16 May 2007
	Shares	Shares
Total shares in issue	13, 207,548	13, 207,548

Directors' interests in the share capital of the Company	as at 31 December 2006	as at 16 May 2007
	Shares	Shares
James Blake	323,800	323,800
Andrew Borg Cardona LL.D.	10,000	10,000
Christopher J. Pace*	2,406,181	2,406,678

Shareholders holding 5% or more of the equity	as at 31 December 2006		as at 16 May 2007	
	Number of Shares	% Holding	Number of Shares	% Holding
British American Insurance Co. (Mtius) Ltd	6,378,473	48.29%	6,398,092	48.44%
Christopher J. Pace*	2,406,181	18.22%	2,406,678	18.22%
Aberdeen Asset Management PLC	1,180,000	8.93%	1,180,000	8.93%

Dawood Rawat has a 42.48% beneficial interest in British American Insurance Co. (Mtius) Ltd.
* Including shares held by way of a 99.99% beneficial interest in Pace Investments Limited.

Number of Shareholders	as at 31 December 2006	as at 16 May 2007
	Shares	Shares
One class of shares carrying equal voting rights	1,610	1,603

Distribution of shareholding	as at 31 December 2006		as at 16 May 2007	
Range	Number of Shareholders	Shares	Number of Shareholders	Shares
1 – 1000	1,383	479,430	1,373	480,227
1001 – 5000	178	378,756	177	368,501
5001 and over	49	12,349,362	53	12,358,820

Financial dates

23 March 2007	Board of Directors approval of Financial Statements by the Company
23 March 2007	Preliminary Statement of Annual Results
29 May 2007	Effective date – Annual General Meeting attendance and Dividend Entitlement
29 June 2007	Annual General Meeting
06 July 2007	Dividend Payment Date

Company secretary and Registered office

Adrian Cutajar LL.D.
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