GlobalCapital plc

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GlobalCapital p.l.c.

Interim Report and Interim Condensed Consolidated Financial Statements (unaudited)

30 June 2019

Interim Directors' Report

GlobalCapital p.l.c. ('the Company') sustained a profit after taxation on a consolidated basis for the six months ended 30 June 2019 totalling €1,293,229 compared to the prior period loss after taxation of €1,934,374.

GlobalCapital Life Insurance Limited incurred a profit after taxation of €1,861,756 compared to a loss after taxation of €1,911,626 for the same period last year. The continued efforts to register new business resulted in an increase in the value of in-force business for the period under review of €1,571,219 (June 2018: €961,994). The profit in the current period resulted mainly from positive movement in the fair value of investments.

During the period under review, GlobalCapital Financial Management sustained a loss of €473,010 (six months period ended 30 June 2018: €291,861). In the latter part of 2018, the company recruited additional professional staff to satisfy local license conditions which cost impacted the performance of the company during the current period.

The Health Insurance Agency's commission income increased marginally when compared to the first six months of 2018. Costs, excluding group recharges, decreased mainly as a result of decreases in IT costs and professional fees. The decrease in costs coupled with an increase in the commission income, resulted in a profit after taxation amounting to €439,940 (2017: €173,761).

Achieving long term future financial stability

The Group is looking at further capitalisation in the next months supporting its future plans. The Group has appointed a major international consulting firm to prepare a holistic plan and forecast, supporting the future of the business. The said plan will incorporate a strategy on the streamlining of activities which are loss making and capitalisation of the group's entities, where this is considered necessary. It will also include an appropriate plan on inter-group distribution of retained profits. Furthermore, the plan will also incorporate an action plan towards the future servicing of its commitments with special emphasis relating to the Company's bond issue, which is due for repayment in June 2021. The plan is in the process of being finalised for submission to the Malta Financial Services Authority. The Directors are confident that based on the above mentioned holistic plan and subject to any necessary approvals required to implement the said plan by the Malta Financial Services Authority, the Group will continue to improve and strengthen its financial performance and financial position, thus continuing to operate on a going concern basis.

The Directors do not recommend the payment of an interim dividend.

By order of the Board

Paolo Catalfamo
Chairman

Joseph C. Schembri
Director

30 August 2019

Statement pursuant to Listing Rule 5.75.3

Issued by the Listing Authority

We confirm that to the best of our knowledge:

= The condensed interim financial information gives a true and fair view of the financial position of the Group as at 30 June 2019, and of its financial performance and its cash flows for the period ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to Interim Financial Reporting (IAS 34).

= The Interim Directors' Report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.

Paolo Catalfamo
Chairman

Joseph C. Schembri
Director

30 August 2019

Independent Auditor's Report

The Group's condensed interim financial information has been reviewed by the Company's independent auditor. The auditor's report, as at 30 June 2019, is reproduced hereunder:

Report on Review of Interim Financial Information to the Directors of GlobalCapital p.l.c.:

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of GlobalCapital p.l.c. as at 30 June 2019 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six month period then ended and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting, International Accounting Standard 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Malta Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note (c) in the condensed consolidated interim financial statements, which details the Group's action plan towards the future servicing of its commitments with special emphasis relating to the Company's bond issue, which is due for repayment in June 2021.

The partner in charge of the review resulting in this independent auditor's report is
Anthony Doublet for and on behalf of
Ernst & Young Malta Limited
Certified Public Accountants
Regional Business Centre
Achille Ferris Street
Msida MSD 1751, Malta

30 August 2019

Condensed Consolidated Statement of Comprehensive income
for the period ended 30 June 2019

GlobalCapital plc

	Group	
	01 January to 30 June 2019 (unaudited) €	01 January to 30 June 2018 (unaudited) €
Commission and fees receivable	**1,019,721**	996,642
Balance on the long term business of insurance technical account before tax	**444,732**	(2,241,044)
Increase in the value of in-force business	**1,571,219**	961,994
Administrative expenses	**(1,527,537)**	(1,398,766)
Commission payable and direct marketing costs	**(131,756)**	(157,567)
Operating profit/(loss)	**1,376,379**	(1,838,741)
Net investment income/(charges), net of allocation to the insurance technical account	**924,134**	(694,709)
Profit/(loss) for the period before tax	**2,300,513**	(2,533,450)
Tax (expense)/credit	**(1,007,284)**	599,076
Profit/(loss) for the period	**1,293,229**	(1,934,374)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Net loss on available-for-sale financial assets, net of tax	**(17,205)**	(100,954)
Total comprehensive income/(loss) for the period	**1,276,024**	(2,035,328)
Earnings/(loss) per share (cents)	**4c3**	(6c4)

Condensed Consolidated Statement of Financial Position
at 30 June 2019

GlobalCapital plc

	Group	
	30 June 2019	31 December 2018
	(unaudited)	(audited)
	€	**€**
ASSETS		
Intangible assets	**12,575,117**	11,580,033
Property, plant and equipment	**2,716,888**	2,059,473
Investment property	**22,569,692**	22,569,692
Other investments	**78,578,413**	73,235,562
Reinsurer's share of technical provisions	**15,318,419**	13,359,221
Taxation receivable	**980,515**	838,723
Trade and other receivables	**2,923,931**	3,153,357
Cash and cash equivalents	**13,205,716**	11,029,822
Total assets	**148,868,691**	137,825,883
EQUITY AND LIABILITIES		
Capital and reserves	**19,757,352**	18,481,328
Technical provisions	**106,689,833**	99,490,962
Interest-bearing borrowings	**10,401,685**	10,357,576
Deferred tax liability	**3,293,309**	2,845,217
Trade and other payables	**8,726,512**	6,650,800
Total equity and liabilities	**148,868,691**	137,825,883

Condensed Consolidated Statement of Cash Flows
for the period ended 30 June 2019

GlobalCapital plc

	Group	
	01 January to 30 June 2019 (unaudited)	**01 January to 30 June 2018 (unaudited)**
	€	**€**
Net cash from operating activities	**2,566,794**	2,142,953
Net cash used in investing activities	**(435,009)**	(5,231,982)
Net cash from financing activities	**44,109**	31,711
Movement in cash and cash equivalents	**2,175,894**	(3,057,318)
Cash and cash equivalents at beginning of period	**11,029,822**	10,250,424
Increase/(Decrease) in cash and cash equivalents	**2,175,894**	(3,057,318)
Cash and cash equivalents at end of period	**13,205,716**	7,193,106

Condensed Consolidated Statement of Changes in Equity
for the period ended 30 June 2019
(*unaudited*)

GlobalCapital plc

	Group				
	Share capital	**Share premium account**	**Other reserves**	**Retained Earnings**	**Total**
	€	**€**	**€**	**€**	**€**
Balance at 1 January 2019	8,735,160	-	9,688,698	57,470	18,481,328
Profit for the financial period	-	-	-	1,293,229	1,293,229
Net movement in available-for-sale investments	-	-	(17,205)	-	(17,205)
Total comprehensive loss for the period	**-**	**-**	**(17,205)**	**1,293,229**	**1,276,024**
Increase in value of in-force business, transferred to other reserves	-	-	1,021,292	(1,021,292)	-
Balance at 30 June 2019	**8,735,160**	**-**	**10,692,785**	**329,407**	**19,757,352**
Balance at 1 January 2018	8,735,160	-	8,370,075	1,143,127	18,248,362
Loss for the financial period	-	-	-	(1,934,374)	(1,934,374)
Net movement in available-for-sale investments	-	-	(100,954)	-	(100,954)
Total comprehensive profit for the period	**-**	**-**	**(100,954)**	**(1,934,374)**	**(2,035,328)**
Increase in value of in-force business, transferred to other reserves	-	-	625,296	(625,296)	-
Balance at 30 June 2018	**8,735,160**	**-**	**8,894,417**	**(1,416,543)**	**16,213,034**

Segmental Information
for the period ended 30 June 2019
(*unaudited*)

GlobalCapital plc

	Group					
	Investment and advisory services	Business of insurance	Agency and brokerage services	Property services	Adjustments	Group
	€	€	€	€	€	€
Period ended 30 June 2019						
Revenue from external customers	241,347	5,978,340	778,374	-	-	6,998,061
Intersegment revenues	-	4,622	-	-	-	4,622
Segment profit/(loss)	(473,010)	2,880,125	428,855	(93,645)	(1,277,872)	1,464,453
Net investment income						924,134
Other corporate expenses						(88,074)
Profit before tax						2,300,513
As at 30 June 2019						
Total assets	698,228	145,776,087	1,603,347	7,482,508	(23,991,585)	131,568,585
Unallocated assets						17,300,106
						148,868,691
Total liabilities	910,865	115,018,785	117,534	7,151,935	(9,376,534)	113,822,585
Unallocated liabilities						15,288,754
						129,111,339
Period ended 30 June 2018						
Revenue from external customers	278,029	6,201,009	718,613	-	-	7,197,651
Intersegment revenues	-	-	-	-	-	-
Segment profit/(loss)	(291,861)	(2,108,606)	267,324	(51,751)	1,072,930	(1,111,964)
Net investment loss						(827,147)
Other corporate expenses						(594,339)
Loss before tax						(2,533,450)
As at 31 December 2018						
Total assets	906,736	134,663,318	1,297,731	7,493,892	(23,962,682)	120,398,995
Unallocated assets						17,456,885
						137,855,880
Total liabilities	1,146,332	105,720,567	251,865	7,136,740	(9,918,015)	104,337,489
Unallocated liabilities						15,007,066
						119,344,555

Financial assets

	Level 1	Level 2	Level 3	Total
	€	€	€	€
Fair value through profit or loss				
Debt securities	35,864,842	-	-	**35,864,842**
Equities	17,629,671	-	-	**17,629,671**
Collective investment schemes	940,625	-	-	**940,625**
Available for sale				
Equities	3,892,235	-	-	**3,892,235**
Collective investment schemes held to cover linked liabilities	-	15,406,241	-	**15,406,241**
Investment Property	-	-	22,569,692	**22,569,692**
Financial liabilities at amortised cost				
Amounts due to shareholders	-	(525,712)	-	**(525,712)**
5% bonds 2021	-	9,875,973	-	**9,875,973**
Unit linked financial instruments	-	(16,084,353)	-	**(16,084,353)**
Balance at 30 June 2019	**58,327,373**	**8,672,149**	**22,569,692**	**89,569,214**

(*audited*)	Level 1	Level 2	Level 3	Total
	€	€	€	€
Fair value through profit or loss				
Debt securities	35,780,690	-	-	**35,780,690**
Equities	15,995,820	-	-	**15,995,820**
Collective investment schemes	972,721	-	-	**972,721**
Available for sale				
Equities	3,268,701	-	-	**3,268,701**
Collective investment schemes held to cover linked liabilities	-	12,157,030	-	**12,157,030**
Investment Property	-	-	22,569,692	**22,569,692**
Financial liabilities at amortised cost				
Amounts due to shareholders	-	(513,315)	-	**(513,315)**
5% bonds 2021	-	(9,844,261)	-	**(9,844,261)**
Unit linked financial instruments	-	(12,788,505)	-	**(12,788,505)**
Balance at 31 December 2018	**56,017,932**	**(10,989,051)**	**22,569,692**	**67,598,573**

Level 2 collective investment schemes are valued using the realisable net asset value per share of the fund as published by the fund administrator on the Malta Stock Exchange or website of the fund administrator as applicable.

For recurring and non-recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the Group uses the valuation processes to decide its valuation policies and procedures and analyse changes in fair value measurements from period to period. The Group's fair value methodology and the governance over its models includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. The responsibility of ongoing measurement resides with management. Management validates fair value estimates by benchmarking prices against observable market prices or other independent sources, re-performing model calculations and evaluating and validating input parameters. Management also challenges the valuation model on at least an annual basis or when significant events in the relevant markets occur.

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six-month period ended 30 June 2019.

At 30 June 2019 and 31 December 2018 the carrying amounts of financial assets and current financial liabilities approximated their fair values except for investment contracts with DPF and unlisted equity financial instruments classified as available-for-sale amounting to €3,020,772 (31 December 2018: €2,249,841). The aformentioned equity instruments are measured at cost as it is impracticable to determine the fair value given the nature of such investments. Moreover, for the investment contract with DPF there is no reliable basis to measure the future discretionary term which latter is a material feature of these contracts.

The financial liabilities for unit link contracts were classified as Level 2. The fair value of these contracts is determined using the current unit value that reflect the fair values of the financial asset (classified as Level 2) linked to the financial liability.

The fair value of the bonds issued by the Company, admitted to the official list of the Malta Stock Exchange, was quoted at €98 at 30 June 2019.

Investment property

There were no additions or disposals during the current reporting period. Furthermore, management has assessed that, as at period end, there is no significant change to the fair value of investment property to that disclosed as at 31 December 2018. Details about the fair valuation of investment property are provided in Note 14 to the audited annual financial statements for the year ended 31 December 2018.

a) This half-yearly report is published pursuant to chapter 5 of the Malta Financial Services Authority Listing Rules and the Prevention of Financial Markets Abuse Act, 2005. The condensed set of consolidated interim financial statements attached to this report has been extracted from GlobalCapital p.l.c.'s unaudited Group financial statements for the six months ended 30 June 2019, and has been reviewed in terms of ISRE2410 'Review of interim financial information performed by the independent auditor of the entity'.

b) These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

c) The Group is looking at further capitalisation in the next months supporting its future plans. The Group has appointed a major international consulting firm to prepare a holistic plan and forecast, supporting the future of the business. The said plan will incorporate a strategy on the streamlining of activities which are loss making and capitalisation of the group's entities, where this is considered necessary. It will also include an appropriate plan on inter-group distribution of retained profits. Furthermore, the plan will also incorporate an action plan towards the future servicing of its commitments with special emphasis relating to the Company's bond issue, which is due for repayment in June 2021. The plan is in the process of being finalised for submission to the Malta Financial Services Authority. The Directors are confident that based on the above mentioned holistic plan and subject to any necessary approvals required to implement the said plan by the Malta Financial Services Authority, the Group will continue to improve and strengthen its financial performance and financial position. On this basis, it is reasonable to assume that the Group has adequate resources to continue operating for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing these interim condensed consolidated financial statements.

d) The interim financial statements have been prepared under the historical cost convention, except for the revaluation of investment properties, financial assets classified at fair value through profit and loss, available-for-sale investments, value of in-force business and investment contracts without DPF. The same accounting policies, presentation and methods of computation have been followed in these interim financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2018.

e) The Group's operations consist of the provision of investments, advisory and insurance distribution services in terms of the Investment Services Act, 1994 and the Insurance Distribution Act, 2006, the carrying on of long term business of insurance under the Insurance Business Act, 1998. The Group's turnover is primarily generated in and from Malta.

f) The Group had no commitments for capital related expenditure as at 30 June 2019 and 31 December 2018.

g) The net unrealised profit on financial instruments recognised in the interim consolidated profit and loss account for the period ended 30 June 2019 amounted to €1,590,580 (a net unrealised loss of 2018: €2,505,762).

h) Earnings per share is based on the net result for the period divided by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares in issue during the period amounted to 30,000,000 shares (2018: 30,000,000 shares).

i) During prior year, the Company entered into an agreement with its majority shareholder, Investar p.l.c., whereby the latter has provided a loan amounting to €500,000. Such loan bears an interest of 5% p.a. and is repayable by May 2020. This is included within the interest bearing borrowings line item in the statement of financial position.

j) The Group has adopted IFRS 16 with effect from 1 January 2019. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make future lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the accounting requirements under IAS 17 Leases – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Leases in which the Group is a lessee

The Group's lease arrangements comprise of long-term leasehold properties, which were classified as operating leases under IAS 17. Under IFRS 16, the Group has recognised new assets (right-of-use assets) and liabilities (lease liabilities) for all its lease arrangements which were previously classified as operating leases under IAS 17. The Group has applied IFRS 16 on its mandatory adoption date of 1 January 2019 using a modified retrospective approach with no restatement of comparative information. Under this approach, the lease liability is measured at the present value of the remaining lease payments as at 1 January 2019. Refer to point (ii) and (iii) below for details on the impact on transition.

The nature of expenses related to these leases has changed with effect from 1 January 2019 because IFRS 16 replaced the operating lease expense with an amortisation charge for right-of-use assets and interest expense on lease liabilities.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is subsequently increased by the interest cost on the lease liablity and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate,changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impact the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The Group presents right-of-use assets in 'Property, plant and equipment'. The Group presents lease liabilities in 'Trade and other payables' in the statement of financial position.

i. Impact on transition

On transition to IFRS 16 (1 January 2019), the Group recognised additional right-of-use assets and additional lease liabilities of €791,468, with no impact on retained earnings.

ii. Impacts for the period

As at 30 June 2019, the Group's right-of-use assets amounted to €693,618 and lease liabilities amounted to €726,953. Also, in relation to those leases under IFRS 16, the group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised €97,850 (2018: Nil) in depreciation charges and €41,908 (2018: Nil) interest costs from these leases.

k) During the six months ended 30 June 2019, property plant and equipment include additions of €17,586 (year ended 31 December 2018: €21,241) and disposals of nil (2018: nil) and intangible assets include additions of €54,301 (year ended 31 December 2018: €62,144) and disposals of nil (2018: nil).

l) Included in the "Balance on the long term business of insurance technical account before tax" of the condensed statement of comprehensive income is the movement in the life reserve amounting to an increase of €1,797,603 (30 June 2018: an increase of €1,969,539) and the movement in the claims outstanding amounting to an increase of €192,859 (30 June 2018: an increase of €190,311). Similarly, included in the "Administrative expenses" of the condensed statement of comprehensive income is the movement in other provisions (which represents the best estimate of the exptected outflow of resources to settle a present obligation resulting from outstanding court and arbitration cases against the Group) amounting to a decrease of €774 (30 June 2018: an increase of €35,673). The estimates and key assumptions used to arrive at the value of the Life Reserve and the Value of In-Force Business remain the same as those applied as at 31 December 2018.

m) The legal settlement of the Group for the period ending 30 June 2019 amounted to €8,216, which had already been fully provided for in prior years.