

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by GlobalCapital plc ("the Company") pursuant to the Listing Rules issued by the Listing Authority.

Quote

The Company announces that the Board of Directors met today the 28 August 2020 and approved the unaudited Half-Yearly Financial Report of the Company for the six-month period ended 30 June 2020.

A copy of the approved Half-Yearly Financial Report is attached to this announcement and also available for viewing on the Company's website at:

https://www.globalcapital.com.mt/media/1631/gcplc_2020interim-condensed-consolidated-results_signed.pdf

Unquote

By Order of the Board

28 August 2020

GlobalCapital p.l.c.

Interim Report and Interim Condensed Consolidated Financial Statements (unaudited)

30 June 2020

GlobalCapital p.l.c.

Half-yearly report for the period ended 30 June 2020

Interim Directors' Report

GlobalCapital p.l.c. ('the Company') sustained a loss after taxation on a consolidated basis for the six months ended 30 June 2020 totalling €3,566,782 compared to the prior period post-tax profit of €1,293,229.

GlobalCapital Life Insurance Limited sustained a loss after taxation of €3,555,169 compared to a profit after taxation of €1,861,756 for the same period last year. The global and local economical effects of the COVID-19 pandemic negatively impacted the investment portfolio resulting in a decrease in value of nearly 3% or €2.5m whilst experiencing a slight increase in claims compared to same period last year. The loss in the current period was as well impacted negatively by an increase in technical provisions consequent to the decline in market prices of the investment portfolio.

During the current period, GlobalCapital Financial Management Limited sustained a loss of €236,147 (six months period ended 30 June 2019 : loss of €473,010). The company's plans to cut its losses sustained in the last few years are coming to fruition with a 50% decrease in losses when compared to the results of the comparative period.

The Health Insurance Agency's commission income increased marginally when compared to the first six months of 2019. Costs, excluding group recharges, remained relatively in line with previous year. The marginal increase in commission income resulted in a profit after taxation of €368,738. During the comparative period the company registered a profit after tax of €439,940 aided by a group tax relief from GlobalCapital Financial Management Limited.

Achieving long term financial stability

The directors intend to continue to operate in line with the Group's current business plan whilst making reference to a strategic plan which was drafted and discussed with the Malta Financial Services Authority. Discussions are in the final stages and an announcement is expected to be made in due course.

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

By order of the Board



Paolo Catalfamo
Chairman



Joseph C. Schembri
Director

28 August 2020

Directors' 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 give a true and fair view of the financial position of the Group as at 30 June 2020, 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.

Signed on behalf of the Board by:



Paolo Catalfamo
Chairman

28 August 2020



Joseph C. Schembri
Director

	Group	
	01 January to 30 June 2020 (unaudited) €	01 January to 30 June 2019 (unaudited) €
Commission and fees receivable	1,302,695	1,019,721
Balance on the long term business of insurance technical account before tax	(3,043,544)	444,732
Increment in the value of in-force business	463,102	1,571,219
Administrative expenses	(2,169,710)	(1,527,537)
Commission payable and direct marketing costs	(98,514)	(131,756)
Operating (loss)/profit	(3,545,971)	1,376,379
Net investment return, net of allocation to the insurance technical account	(370,615)	924,134
(Loss)/profit for the period before tax	(3,916,586)	2,300,513
Tax credit/(expense)	349,804	(1,007,284)
(Loss)/profit for the period	(3,566,782)	1,293,229
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net loss on available-for-sale financial assets, net of tax	(9,335)	(17,205)
Total comprehensive (loss)/income for the period	(3,576,117)	1,276,024
(Loss)/profit per share (cents)	(11c9)	4c3

	Group	
	30 June 2020 (unaudited) €	31 December 2019 (audited) €
ASSETS		
Intangible assets	12,519,680	12,209,413
Right of use asset	589,774	646,378
Property, plant and equipment	1,966,621	1,987,859
Investment property	22,907,750	22,907,750
Other investments	75,773,059	75,156,383
Reinsurer's share of technical provisions	19,501,206	17,568,236
Taxation receivable	217,577	1,210,405
Trade and other receivables	2,322,742	2,487,817
Deposits with banks and credit institution	3,512,682	3,502,454
Cash and cash equivalents	18,625,644	15,791,074
Asset held for sale	200,000	200,000
Total assets	158,136,736	153,667,769
EQUITY AND LIABILITIES		
Capital and reserves	15,973,510	19,549,627
Technical provisions	119,678,114	112,534,363
Interest-bearing borrowings	12,995,375	10,057,204
Lease Liability	617,444	668,123
Deferred tax liability	2,489,259	3,199,700
Trade and other payables	6,383,034	7,658,752
Total equity and liabilities	158,136,736	153,667,769

These unaudited interim condensed consolidated financial statements have been approved by the Board of Directors on 28 August 2020, and signed on its behalf by:



Paolo Catalfamo
Chairman



Joseph C. Schembri
Director

	Group	
	01 January to 30 June 2020 (unaudited) €	01 January to 30 June 2019 (unaudited) €
Net cash (used in)/from operating activities	(1,166,700)	2,566,794
Net cash from/(used in) investing activities	1,101,270	(435,009)
Net cash from financing activities	2,900,000	44,109
Movement in cash and cash equivalents	2,834,570	2,175,894
Cash and cash equivalents at beginning of period	15,791,074	11,029,822
Decrease in cash and cash equivalents	2,834,570	2,175,894
Cash and cash equivalents at end of period	18,625,644	13,205,716

Condensed Consolidated Statement of Changes in Equity
for the period ended 30 June 2020
(unaudited)

GlobalCapital plc

	Group				Total
	Share capital	Share premium account	Other reserves	Accumulated losses	
	€	€	€	€	
Balance at 1 January 2020	8,735,160	-	10,488,547	325,920	19,549,627
Loss for the financial period	-	-	-	(3,566,782)	(3,566,782)
Net movement in available-for-sale investments	-	-	(9,335)	-	(9,335)
Total comprehensive loss for the period	-	-	(9,335)	(3,566,782)	(3,576,117)
Increase in value of in-force business, transferred to other reserves	-	-	301,016	(301,016)	-
Balance at 30 June 2020	8,735,160	-	10,780,228	(3,541,878)	15,973,510
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 income 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

Financial assets

	Level 1	Level 2	Level 3	Total
	€	€	€	€
Fair value through profit or loss				
Debt securities	31,073,365	-	-	31,073,365
Equities	18,431,573	-	-	18,431,573
Collective investment schemes	278,263	-	-	278,263
Available for sale				
Equities	1,391,469	-	-	1,391,469
Collective investment schemes held to cover linked liabilities	-	20,917,270	-	20,917,270
Investment property	-	-	22,907,750	22,907,750
Financial liabilities at amortised cost				
Amounts due to shareholders	-	(34,141)	-	(34,141)
5% bonds 2021	-	(9,961,234)	-	(9,961,234)
Bank loan	-	(3,000,000)	-	(3,000,000)
Unit linked financial instruments	-	(21,714,872)	-	(21,714,872)
Balance at 30 June 2020	51,174,670	(13,792,977)	22,907,750	60,289,443

(audited)

	Level 1	Level 2	Level 3	Total
	€	€	€	€
Fair value through profit or loss				
Debt securities	29,654,509	-	-	29,654,509
Equities	18,839,331	-	-	18,839,331
Collective investment schemes	679,006	-	-	679,006
Available for sale				
Equities	1,489,946	-	-	1,489,946
Collective investment schemes held to cover linked liabilities	-	18,004,501	-	18,004,501
Investment property	-	-	22,907,750	22,907,750
Financial liabilities at amortised cost				
Amounts due to shareholders	-	(148,639)	-	(148,639)
5% bonds 2021	-	(9,908,565)	-	(9,908,565)
Unit linked financial instruments	-	(18,762,578)	-	(18,762,578)
Balance at 31 December 2019	50,662,792	(10,815,281)	22,907,750	62,755,261

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 2020.

At 30 June 2020 and 31 December 2019 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 €1,139,912 (31 December 2019: €1,222,445). The aforementioned 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 contracts with DPF there is no reliable basis to measure the future discretionary term which 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 2020.

Investment property

There were no additions or disposals during the current reporting period. As at period end, the value of investment property is stated as disclosed in the 31 December 2019 annual financial statements. 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 2019.

Notes to the Condensed Consolidated Financial Statements

- 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 2020.
- b) These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'.
- c) Over the past months the Directors have given special attention to alternative strategies to permanently resolve various legacy issues which continue to negatively impact the Group and Company together with their stakeholders. In this regard, the Group has appointed a major international consulting firm to prepare a holistic strategic plan with the aim of addressing these issues and supporting the consolidation and future growth of the business. A draft high-level proposal has since been prepared and has been discussed with the Malta Financial Services Authority. All necessary approvals are close to being obtained whilst the Group is expected to issue the relevant announcements over the next few weeks. The Directors are confident that the plan is realistic and feasible and are fully committed to it, although they remain cognizant that there remains material uncertainty in its timing and execution not least because of the potential impact that the COVID-19 pandemic may have on the local (and global) economy in the short to medium term.
- 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 2019.
- e) The Group's operations consist of the provision of investments, advisory and insurance intermediary services in terms of the Investment Services Act, 1994 and the Insurance Intermediaries 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 2020 and 31 December 2019.
- g) The net unrealised loss on financial instruments recognised in the interim condensed consolidated statement of comprehensive income for the period ended 30 June 2020 amounted to €2,332,240 (30 June 2019: profit of €1,590,580).
- 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 (2019: 30,000,000 shares).
- i) In June 2020, the Company considering the operational challenges posed by COVID-19, availed itself of the MDB assist credit line through one of the leading banks in Malta. The loan advanced is of €3m and repayable over 6 years with a moratorium of the first 6 months.
- j) During 2018, the Company entered an agreement with its majority shareholder, Investar p.l.c., whereby the latter has provided a loan amounting to €500,000. Such loan bore an interest of 5% per annum and was repayable by May 2020. This loan which has been classified within interest bearing borrowings line item in the statement of financial position was fully repaid by 30 June 2020.
- k) During the six months ended 30 June 2020, property, plant and equipment include additions of €19,157 (year ended 31 December 2019: €21,853) and disposals of nil (2019: nil) and intangible assets include additions of €132,471 (year ended 31 December 2019: €54,199) and disposals of nil (2019: 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 net movement in the life reserve amounting to an increase of €1,514,771 (30 June 2019: an increase of €1,797,603) and the net movement in the claims outstanding amounting to an increase of €414,973 (30 June 2019: an increase of €192,859). 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 expected outflow of resources to settle a present obligation resulting from outstanding court and arbitration cases against the Group) amounting to a decrease of €53,935 (30 June 2019: a decrease of €744). The estimates and key assumptions used to arrive at the value of the Life Reserve and the Value of In-Force Business remained the same as those applied as at 31 December 2019.