

GlobalCapital p.l.c.

Interim Report and Interim Condensed Consolidated Financial Statements (unaudited)

30 June 2018

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GlobalCapital p.l.c.

Half-yearly report for the period ended 30 June 2018

#### 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 2018 totalling €1,934,374 compared to the prior period profit after taxation of €1,377,545.

GlobalCapital Life Insurance Limited incurred a loss after taxation of €1,911,626 compared to a profit after taxation of €1,469,408 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 €961,994 (June 2017: €1,207,692). The loss in the current period resulted mainly from negative movement in the fair value of investments coupled with an increase in technical provisions consequent to additional business being written during the period under review.

During the period under review, GlobalCapital Financial Management Limited sustained a decline in the level of activity whilst incurring one-time operational costs. This together with a marginal increase in provisioning led to a loss after taxation of €291,861 compared to a profit after taxation of €131,607 for the period ended 30 June 2017.

The Health Insurance Agency's commission income declined marginally when compared to the first six months of 2017. Costs, excluding group recharges, increased mainly as a result of increases in IT costs and professional fees. The increase in costs was partly mitigated by an increase in the profit commission, which resulted in a profit after taxation amounting to €173,761 (2017: €253,933).

#### Achieving long term financial stability

It is the Board's intention to exercise its existing authority to issue new ordinary shares by conducting a rights issue in respect of an amount of shares not exceeding €6,000,000 in nominal value before the end of the year, subject to the approval of the Listing Authority.

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

By order of the Board



Paolo Catalfamo  
Chairman

31 August 2018



Joseph C. Schembri  
Director

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 2018, 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

31 August 2018

## 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 2018, 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 2018 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'.

*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

31 August 2018

	Group	
	01 January to 30 June 2018 (unaudited) €	01 January to 30 June 2017 (unaudited) €
Commission and fees receivable	996,642	1,235,222
Balance on the long term business of insurance technical account before tax	(2,241,044)	(610,002)
Increment in the value of in-force business	961,994	1,207,692
Other operating income	-	21,463
Administrative expenses	(1,398,766)	(1,021,705)
Commission payable and direct marketing costs	(157,567)	(63,893)
Operating profit	(1,838,741)	768,777
Net investment return, net of allocation to the insurance technical account	(694,709)	1,609,246
(Loss)/profit for the period before tax	(2,533,450)	2,378,023
Tax credit/(expense)	599,076	(1,000,478)
(Loss)/profit for the period	(1,934,374)	1,377,545
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net (loss)/gain on available-for-sale financial assets, net of tax	(100,954)	172,151
Total comprehensive (loss)/income for the period	(2,035,328)	1,549,696
(Loss)/earnings per share (cents)	(6c5)	4c6

	Group	
	30 June 2018 (unaudited) €	31 December 2017 (audited) €
<b>ASSETS</b>		
Intangible assets	10,758,542	10,197,821
Property, plant and equipment	2,065,820	2,126,712
Investment property	20,855,955	20,855,955
Other investments	74,864,249	71,227,809
Reinsurer's share of technical provisions	11,165,632	9,692,516
Taxation receivable	480	67,348
Trade and other receivables	3,016,444	2,702,369
Cash and cash equivalents	7,193,106	10,250,424
<b>Total assets</b>	<b>129,920,228</b>	<b>127,120,954</b>
<b>EQUITY AND LIABILITIES</b>		
Capital and reserves	16,213,034	18,248,362
Technical provisions	95,162,873	89,440,106
Interest-bearing borrowings	9,811,669	9,779,958
Deferred tax liability	1,232,154	2,473,027
Trade and other payables	7,101,190	6,989,658
Current tax liabilities	399,308	189,843
<b>Total equity and liabilities</b>	<b>129,920,228</b>	<b>127,120,954</b>

	Group	
	01 January to 30 June 2018 (unaudited) €	01 January to 30 June 2017 (unaudited) €
Net cash from operating activities	5,149,224	3,540,107
Net cash used in investing activities	(8,238,253)	(11,740,181)
Net cash from financing activities	31,711	-
Movement in cash and cash equivalents	(3,057,318)	(8,200,074)
Cash and cash equivalents at beginning of period	10,250,424	14,309,866
Decrease in cash and cash equivalents	(3,057,318)	(8,200,074)
Cash and cash equivalents at end of period	7,193,106	6,109,792

Condensed Consolidated Statement of Changes in Equity  
for the period ended 30 June 2018  
(unaudited)

**GlobalCapital plc**

	Group				Total
	Share capital	Share premium account	Other reserves	Accumulated losses	
	€	€	€	€	€
Balance at 1 January 2017	8,735,160	16,970,641	7,149,101	(17,735,110)	15,119,792
Profit for the financial period	-	-	-	1,377,545	1,377,545
Net movement in available-for-sale investments	-	-	172,151	-	172,151
Total comprehensive profit for the period	-	-	172,151	1,377,545	1,549,696
Increase in value of in-force business, transferred to other reserves	-	-	785,000	(785,000)	-
Set-off of share premium against accumulated losses	-	(16,970,641)	-	16,970,641	-
Balance at 30 June 2017	8,735,160	-	8,106,252	(171,924)	16,669,488
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 loss 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



Financial assets

	Level 1	Level 2	Level 3	Total
	€	€	€	€
Fair value through profit or loss				
Debt securities	38,371,757	5,030,000	-	43,401,757
Equities	16,009,971	-	-	16,009,971
Collective investment schemes	-	938,186	-	938,186
Available for sale				
Debt securities	521,793	-	-	521,793
Equities	764,853	-	1,838,692	2,603,545
Collective investment schemes held to cover linked liabilities	-	11,388,997	-	11,388,997
Balance at 30 June 2018	55,668,374	17,357,183	1,838,692	74,864,249
(audited)				
	Level 1	Level 2	Level 3	Total
	€	€	€	€
Fair value through profit or loss				
Debt securities	38,290,411	2,936,856	-	41,227,267
Equities	17,356,281	-	-	17,356,281
Collective investment schemes	-	1,216,504	-	1,216,504
Available for sale				
Debt securities	521,793	-	-	521,793
Equities	920,167	-	686,601	1,606,768
Collective investment schemes held to cover linked liabilities	-	9,299,196	-	9,299,196
Balance at 31 December 2017	57,088,652	13,452,556	686,601	71,227,809

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 2018.

The following is a reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

Unquoted financial assets (unaudited)

	Total	Total
	2018	2017
	€	€
As at 1 January	686,601	-
Additions	1,152,091	686,601
Disposals	-	-
Net unrealised gain/(loss)	-	-
As at 30 June	1,838,692	686,601

Management values Level 3 investments by looking at the latest available financial information of the company issuing such financial instruments. Any change in fair value is determined following analysis of the aforementioned financial information.

During the prior year, the Group sold a substantial amount of its investments that were classified as held-to-maturity. Such sale was effected in view of the favourable conditions that the market was offering on such investments. Following sale, and in line with the requirements of IAS 39, 'Financial Instruments: Recognition and Measurement', the remaining financial assets classified as held-to-maturity were subsequently reclassified as available-for-sale investments, measured at fair value and any movement in fair value recognised and presented in other comprehensive income.

At 30 June 2018 and 31 December 2017, the carrying amounts of financial assets, other than investment in group undertakings, and financial liabilities approximated their fair values, with the exception of financial liabilities emanating from investment contracts with DPF ('discretionary participation feature'). It is impracticable to determine the fair value of these contracts due to the lack of reliable basis to measure the future discretionary return that is a material feature of these contracts.

The fair value of the bonds issued by the Company, admitted to the official list of the Malta Stock Exchange, was quoted at €101.85 at 30 June 2018.

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 2017. 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 2017.

- 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 2018, 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) In assessing the basis of preparation of the interim financial statements the Directors have considered the Group's debt to equity ratio and the healthy net equity position reported by the Group as at period end. 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 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 2017.
- 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 2018 and 31 December 2017.
- g) The net unrealised loss on financial instruments recognised in the interim consolidated profit and loss account for the period ended 30 June 2018 amounted to €2,505,762 (2017: €160,564).
- 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 (2017: 30,000,000 shares).
- i) During the Company's Extraordinary General Meeting held on 23 June 2017, it was duly resolved and approved by the shareholders that accumulated losses of €16,970,641 from the total accumulated losses of the Company amounting to €30,417,321 be offset against the amount of €16,970,641 standing to the credit of the Company's share premium account as at the said date, and that accordingly the share premium account of the Company be reduced by the amount of €16,970,641.
- j) During the period under review, the Company entered into an agreement with its majority shareholder, Investar p.l.c., whereby the latter has provided a loan amounting to €300,000. Such loan does not bear interest, provided that, if the Rights Issue does not occur by the third quarter of 2018, an interest of 5% shall accrue on the loan. This is included within the trade and other payables line item in the statement of financial position.