

**Company Announcement issued by GlobalCapital p.l.c. pursuant to Chapter 5 of the Malta Financial Services Authority Listing Rules**

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**Quote**

At a meeting held on 30 August 2017, the Board of Directors of GlobalCapital p.l.c. considered and approved the half-yearly report for the six (6) months ended 30 June 2017. The half-yearly report, drawn up in terms of the Listing Rules, is attached to this Company Announcement.

In accordance with the requirements of the Listing Rules, the half-yearly report is being made public and available for viewing on the company's website [www.globalcapital.com.mt](http://www.globalcapital.com.mt)

**Unquote**

**By Order of the Board**

30 August 2017

# GlobalCapital p.l.c.

## Half-yearly report for the period ended 30 June 2017

### Interim Directors' Report

GlobalCapital p.l.c. ('the Company') registered a profit before taxation on a consolidated basis for the six months ended 30 June 2017 totalling €2,378,023 compared to the prior period equivalent of €1,878,526.

GlobalCapital Life Insurance Limited contribution towards the consolidated profit before taxation amounted to €1,260,630 compared to a profit of €696,352 for the same period in 2016. The continued efforts to registering sustained levels of new business resulted in an increase in the value of in-force business for the period under review of €1,207,692 (June 2016: €1,244,615). Investor risk appetite was confident over the first 6 months of 2017. Risk assets, in particular equities and high yield bonds, outperformed other investments over the period. Government bonds, gold and the safe haven currencies declined in the first two quarters of the year against the Euro. European Government Bonds declined 0.98% while European investment grade corporate debt rose 0.62% and European high yield corporate debt rose strongly by 2.96%. The Life Insurance portfolio asset allocation was able to benefit from the rise in the better performing markets by investing in European high yield bonds, while reducing its exposure to Government bonds. However, equities remained underweight in the portfolio due to the high prices demanded for the shares relative to their corporate earnings. As a result, the level of investment income increased by 11% on those registered as at end June 2016.

During the period under review, the GlobalCapital Financial Management Limited registered an improved level of activity and likewise an increase in operational costs. This together with enhancements to the company's provisioning policy led to a profit before taxation to €131,607 compared to €7,169 for the period ended June 2016.

The Health Insurance Agency's commission income improved marginally when compared to the first six months of 2016. Costs, excluding group recharges, remained comparable, yet the increase in claims and medical costs adversely impacted the company's profit commission for the period thus reducing profit before taxation to €390,339 (June 2016: €608,442).

### Achieving long term financial stability

Moreover, through the motions of the Extraordinary General Meeting held on the 23 June 2017, the Company increased its authorised share capital from eighty five million ordinary shares to two hundred million ordinary shares of €0.291172 each. 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 €15,000,000 in nominal value before the end of the year, subject to the approval of the Listing Authority.

### Outlook

The Company's Board of Directors is looking at the next six months of the year with cautious optimism. In particular, the completion of the capitalisation plan by end of the current year will help facilitate the Group's growth strategy going forward.

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

### By order of the Board

**Paolo Catalfamo**  
Chairman  
30 August 2017

**Reuben Zammit**  
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 2017, 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  
30 August 2017

**Reuben Zammit**  
Director

## **Independent Auditor's Report**

The Group's condensed consolidated interim financial information has been reviewed by the Company's independent auditor. The auditor's report, as at 30 June 2017, is reproduced hereunder:

Report on Review of Condensed Consolidated 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 2017 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 condensed 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

30 August 2017

	Group	
	01 January to 30 June 2017 (unaudited) €	01 January to 30 June 2016 (unaudited) €
Commission and fees receivable	1,235,222	1,283,040
Balance on the long term business of insurance technical account before tax	(610,002)	367,010
Increment in the value of in-force business	1,207,692	1,244,615
Other operating income	21,463	38,912
Administrative expenses	(1,021,705)	(1,084,761)
Commission payable and direct marketing costs	(63,893)	(61,896)
<b>Operating profit</b>	<b>768,777</b>	<b>1,786,920</b>
Net investment return, net of allocation to the insurance technical account	1,609,246	91,606
<b>Profit for the period before tax</b>	<b>2,378,023</b>	<b>1,878,526</b>
Tax expense	(1,000,478)	(1,004,372)
<b>Profit for the period</b>	<b>1,377,545</b>	<b>874,154</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net gain/(loss) on available-for-sale financial assets net of tax	172,151	(5,116)
<b>Total comprehensive income for the period</b>	<b>1,549,696</b>	<b>869,038</b>
Earnings per share (cents)	4c6	3c7

	Group	
	30 June 2017 (unaudited) €	31 December 2016 (audited) €
<b>ASSETS</b>		
Intangible assets	9,573,538	8,854,111
Property, plant and equipment	2,168,055	2,050,253
Investment property	18,664,160	18,664,160
Other investments	71,870,662	58,363,399
Reinsurer's share of technical provisions	8,198,967	7,653,972
Taxation receivable	-	86,654
Trade and other receivables	1,564,799	3,160,841
Cash and cash equivalents	6,109,792	14,309,866
<b>Total assets</b>	<b>118,149,973</b>	<b>113,143,256</b>
<b>EQUITY AND LIABILITIES</b>		
Capital and reserves	16,669,488	15,119,792
Technical provisions	84,344,337	80,183,066
Interest-bearing borrowings	9,722,652	9,715,830
Deferred tax liability	2,187,557	2,099,185
Trade and other payables	4,594,690	5,972,928
Current tax liabilities	631,249	52,455
<b>Total equity and liabilities</b>	<b>118,149,973</b>	<b>113,143,256</b>

	<b>Group</b>	
	<b>01 January to 30 June 2017</b>	<b>01 January to 30 June 2016</b>
	(unaudited)	(unaudited)
	€	€
Net cash from operating activities	3,540,107	904,094
Net cash used in investing activities	<b>(11,740,181)</b>	(441,557)
Net cash from financing activities	-	1,171,090
<b>Movement in cash and cash equivalents</b>	<b>(8,200,074)</b>	1,633,627
Cash and cash equivalents at beginning of period	14,309,866	5,440,651
(Decrease)/increase in cash and cash equivalents	<b>(8,200,074)</b>	1,633,627
<b>Cash and cash equivalents at end of period</b>	<b>6,109,792</b>	7,074,278

Condensed Consolidated Statement of Changes in Equity  
for the period ended 30 June 2017  
(unaudited)

**GlobalCapital plc**

	Group				Total
	Share capital	Share premium account	Other reserves	Accumulated losses	
	€	€	€	€	
Balance at 1 January 2016	3,845,668	16,970,641	4,297,968	(17,754,188)	7,360,089
Profit for the financial period	-	-	-	874,154	874,154
Net movement in available-for-sale investments	-	-	(5,116)	-	(5,116)
Total comprehensive profit for the period	-	-	<b>(5,116)</b>	<b>874,154</b>	<b>869,038</b>
Increase in value of in-force business, transferred to other reserves	-	-	809,000	(809,000)	-
Increase in Share Capital	4,889,492	-	-	-	4,889,492
<b>Balance at 30 June 2016</b>	<b>8,735,160</b>	<b>16,970,641</b>	<b>5,101,852</b>	<b>(17,689,034)</b>	<b>13,118,619</b>
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	-	-	<b>172,151</b>	<b>1,377,545</b>	<b>1,549,696</b>
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	-
<b>Balance at 30 June 2017</b>	<b>8,735,160</b>	<b>-</b>	<b>8,106,252</b>	<b>(171,924)</b>	<b>16,669,488</b>



**Financial assets**

	Level 1	Level 2	Level 3	Total
	€	€	€	€
<b>Fair value through profit or loss</b>				
Debt securities	42,708,042	922,400	-	<b>43,630,442</b>
Equities	14,229,708	-	613,636	<b>14,843,344</b>
Collective investment schemes	-	1,409,954	-	<b>1,409,954</b>
<b>Available for sale</b>				
Debt securities	2,830,510	-	-	<b>2,830,510</b>
Equities	985,864	-	-	<b>985,864</b>
<b>Collective investment schemes held to cover linked liabilities</b>	-	8,039,448	-	<b>8,039,448</b>
<b>Balance at 30 June 2017</b>	<b>60,754,124</b>	<b>10,371,802</b>	<b>613,636</b>	<b>71,739,562</b>
	Level 1	Level 2	Level 3	Total
	€	€	€	€
<b>Fair value through profit or loss</b>				
Debt securities	28,155,299	-	-	<b>28,155,299</b>
Equities	14,283,471	-	-	<b>14,283,471</b>
Collective investment schemes	-	1,473,687	-	<b>1,473,687</b>
<b>Available for sale</b>				
Equities	983,722	-	-	<b>983,722</b>
<b>Collective investment schemes held to cover linked liabilities</b>	-	6,515,329	-	<b>6,515,329</b>
<b>Balance at 31 December 2016</b>	<b>43,422,492</b>	<b>7,989,016</b>	-	<b>51,411,508</b>

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 2017.

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

*Unquoted financial assets*

	Total
	€
As at 1 January 2016 / 31 December 2016	-
Additions	613,636
Disposals	-
Net unrealised gain/(loss)	-
<b>As at 30 June 2017</b>	<b>613,636</b>

Given that the acquisition date of the financial assets categorised within Level 3 of the fair value hierarchy was close to period end, management has determined that fair value movement is not material to these interim financial statements.

During the period, the Company 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 2017 and 31 December 2016, 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. 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 €99.45 at 30 June 2017.

**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 2016. 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 2016.

**Notes to the Condensed 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 2017, 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 positive results reported by the Group in the last five consecutive reporting periods. 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 2016.
- 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 2017 (30 June 2016: nil).
- g) The net unrealised loss on financial instruments recognised in the interim consolidated profit and loss account for the period ended 30 June 2017 amounted to €160,564 (2016: net loss of €57,960).
- 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 (2016: 23,311,207).
- i) During GlobalCapital plc'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 as at 31 December 2016, 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.