

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

Quote

At a meeting held on 28 August 2014, the Board of Directors of GlobalCapital p.l.c. considered and approved the half-yearly report for the six (6) months ended 30 June 2014. 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

Unquote

By Order of the Board
28 August 2014

GlobalCapital p.l.c.

Half-yearly report for the period ended 30 June 2014

Interim Directors' Report

The Group registered a loss before taxation of €966,897 for the first six months of 2014 compared to a profit of €65,541 for the same period in 2013. The results have been impacted by the decline in the Malta Stock Exchange index adversely affecting the performance for the period under review. The Group registered unrealised fair value losses of €401,538 compared to unrealised fair value gains of €349,170 in the comparative period. The Group also incurred restructuring costs which are not expected to recur.

GlobalCapital Life Insurance registered a profit before tax of €651,624 compared to a profit of €504,507 for the same period in 2013. The improved results are a combination of both an improved productivity and a further reduction in the operational cost base. Revenues from the GlobalCapital Health Insurance Agency remained similar to those registered in the prior period but with a lower cost base.

From early June 2014, the Group has become more vigorous in implementing an aggressive transformation plan targeting stable growth and sustainable profitability. Effective measures have been taken to further enhance operational efficiency. Moreover, in line with the Group's strategy to focus exclusively on its core insurance business, Global Capital Plc will, subject to regulatory approval, be exiting its investment and advisory business. This will allow the Group to strengthen its turnaround within the established timeframe.

The Directors regularly monitor the projected outlook and are satisfied that having taken into account the Group's current and forecast statement of financial position, its current and forecast capital adequacy, its forecast cash flows and scenarios for raising additional debt or equity, it is reasonable to assume that the Company and the Group have 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.

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

By order of the Board

Dawood A. Rawat
Chairman
28 August 2014

Moussa I. Rawat
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 2014, 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.

Dawood A. Rawat
Chairman
28 August 2014

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 2014, 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 2014 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 (IAS 34). 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'.

Sarah Curmi as Director

in the name and on behalf of

Deloitte Audit Limited

Registered auditor

Deloitte Place

Mriehel Bypass

Mriehel, BKR 3000,

Malta

28 August 2014

Condensed Consolidated Statement of Comprehensive income
for the period ended 30 June 2014

GlobalCapital plc

	Group	
	01 January to 30 June 2014 (unaudited) €	01 January to 30 June 2013 (unaudited) €
Continuing operations		
Commission and fees receivable	909,653	1,094,566
Balance on the long term business of insurance technical account before tax	248,181	145,517
Increase/(decrease) in the value of in-force business	177,757	(124,615)
Other operating income	21,824	14,047
Administrative expenses	(1,294,090)	(1,096,003)
Commission payable and direct marketing costs	(62,436)	(77,766)
Operating profit/(loss)	889	(44,254)
Net investment (charges)/return net of allocation to the insurance technical account	(637,548)	166,170
(Loss)/profit for the period before tax	(636,659)	121,916
Tax expense	20,727	(101,237)
(Loss)/profit for the period from continuing operations	(615,932)	20,679
Discontinued operations		
Loss for the period from discontinued operations	(330,238)	(56,375)
Loss for the period	(946,170)	(35,696)
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	(168,689)	138,098
Total comprehensive (loss)/income for the period	(1,114,859)	102,402
(Loss)/profit per share from continuing operations (cents)	(4c7)	0c2
Loss per share from discontinued operations (cents)	(2c5)	(0c4)

	Group	
	30 June 2014 (unaudited) €	31 December 2013 (audited) €
ASSETS		
Intangible assets	5,300,827	5,032,779
Property, plant and equipment	2,969,527	3,115,766
Investment property	20,361,173	20,319,662
Deferred tax asset	67,803	67,803
Other investments	51,105,309	48,329,084
Reinsurer's share of technical provisions	2,151,209	2,079,368
Taxation receivable	387,016	556,309
Property held for development	748,541	748,541
Trade and other receivables	2,089,054	2,578,089
Cash and cash equivalents	3,946,473	7,574,249
Non-current assets held-for-sale	-	180,000
Total assets	89,126,932	90,581,650
EQUITY AND LIABILITIES		
Capital and reserves	1,964,080	3,078,939
Technical provisions	65,333,343	65,348,755
Interest-bearing borrowings	16,491,310	16,887,565
Deferred tax liability	1,615,577	1,615,577
Trade and other payables	3,482,493	3,410,685
Current tax liabilities	240,129	240,129
Total equity and liabilities	89,126,932	90,581,650

Condensed Consolidated Statement of Cash Flows
for the period ended 30 June 2014

GlobalCapital plc

	Group	
	30 June 2014	30 June 2013
	(unaudited)	(unaudited)
	€	€
Net cash (used in)/from operating activities	(453,207)	124,971
Net cash (used in)/from investing activities	(2,743,311)	4,179,528
Net cash used in financing activities	-	(372,500)
Movement in cash and cash equivalents	(3,196,518)	3,931,999
Cash and cash equivalents at beginning of period	7,142,991	4,051,077
(Decrease)/increase in cash and cash equivalents	(3,196,518)	3,931,999
Cash and cash equivalents at end of period	3,946,473	7,983,076

Condensed Consolidated Statement of Changes in Equity
for the period ended 30 June 2014
(unaudited)

GlobalCapital plc

	Group				Total
	Share capital	Share premium account	Other reserves	Accumulated Losses	
	€	€	€	€	€
Balance at 1 January 2013	3,845,668	16,970,641	2,318,216	(16,684,408)	6,450,117
Decrease in value of in-force business, transferred to other reserves	-	-	(81,000)	81,000	-
Loss for the financial period	-	-	-	(35,696)	(35,696)
Net movement in available-for-sale investments	-	-	138,098	-	138,098
Total comprehensive income for the period	-	-	57,098	45,304	102,402
Balance at 30 June 2013	3,845,668	16,970,641	2,375,314	(16,639,104)	6,552,519
Balance at 1 January 2014	3,845,668	16,970,641	3,086,103	(20,823,473)	3,078,939
Increase in value of in-force business, transferred to other reserves	-	-	115,542	(115,542)	-
Loss for the financial period	-	-	-	(946,170)	(946,170)
Net movement in available-for-sale investments	-	-	(168,689)	-	(168,689)
Total comprehensive loss for the period	-	-	(53,147)	(1,061,712)	(1,114,859)
Balance at 30 June 2014	3,845,668	16,970,641	3,032,956	(21,885,185)	1,964,080

Segmental Information
for the period ended 30 June 2014
(unaudited)

GlobalCapital plc

	Group				Group
	Business of insurance	Agency services	Property services	Adjustments	
	€	€	€	€	€
Period ended 30 June 2014					
Revenue from external customers	3,697,356	909,653	52,015	-	4,659,024
Intersegment revenues	72,038	-	-	-	72,038
Segment profit/(loss)	223,425	429,920	(10,513)	(62,321)	580,512
Net Investment charges					(643,772)
Other corporate expenses					(573,399)
Loss for the period from discontinued operations					(330,238)
Loss before tax					(966,897)
Total assets	74,232,757	1,456,913	7,957,777	(8,108,704)	75,538,743
Unallocated assets					13,588,189
					89,126,932
Total liabilities	67,145,806	82,562	109,215	(16,348,857)	50,988,726
Unallocated liabilities					36,174,126
					87,162,852
Period ended 30 June 2013					
Revenue from external customers	3,495,439	1,094,566	61,039	-	4,651,044
Intersegment revenues	61,200	-	-	-	61,200
Segment profit/(loss)	56,286	492,449	(196,507)	(30,807)	321,421
Net investment income					155,656
Other corporate expenses					(355,161)
Loss for the period from discontinued operations					(56,375)
Profit before tax					65,541
Total assets	72,662,021	2,611,813	11,543,140	(11,893,601)	74,923,373
Unallocated assets					17,217,857
					92,141,230
Total liabilities	64,045,695	325,465	130,645	(13,162,593)	51,339,212
Unallocated liabilities					34,249,499
					85,588,711

During the period under review, the investment and advisory segment has been reclassified as a discontinued operation as detailed in Note (g).

**Fair Value Measurement
at 30 June 2014**
(unaudited)

GlobalCapital plc

	Level 1	Level 2	Level 3	Total
	€	€	€	€
Fair Value through profit or loss				
Debt securities	27,064,405	-	-	27,064,405
Equities	7,874,160	-	-	7,874,160
Collective investment schemes	-	835,625	-	835,625
Available for Sale				
Equities	1,602,399	-	-	1,602,399
Collective investment schemes held to cover linked liabilities	-	2,820,575	-	2,820,575
Balance at 30 June 2014	36,540,964	3,656,200	-	40,197,164
	Level 1	Level 2	Level 3	Total
	€	€	€	€
Fair Value through profit or loss				
Debt securities	24,447,716	-	-	24,447,716
Equities	9,020,541	-	-	9,020,541
Collective investment schemes	-	841,538	-	841,538
Available for Sale				
Equities	1,688,147	-	-	1,688,147
Collective investment schemes held to cover linked liabilities	-	2,471,702	-	2,471,702
Balance at 31 December 2013	35,156,404	3,313,240	-	38,469,644

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.

At 30 June 2014 and 31 December 2013, 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 €88 at 30 June 2014 (€85 at 31 December 2013).

- 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 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 2014, 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 condensed financial statements have been prepared under the historical cost convention, except for the revaluation of investment properties and financial instruments. The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2013.
- d) The Group's operations consist of the carrying on of long term business of insurance under the Insurance Business Act, 1998, the provision of investments and advisory services in terms of the Investment Services Act, 1994, which is being discontinued as further disclosed in Note (g), and the provision of property management and consultancy services and handling property acquisitions, disposals and development projects. The Group's turnover is primarily generated in and from Malta.
- e) Commitments for capital related expenditure not provided for in these condensed consolidated financial statements amounted to €85,000 as at 30 June 2014 (30 June 2013: €713,400).
- f) The net loss on financial instruments recognised in the condensed consolidated statement of comprehensive income for the period ended 30 June 2014 amounted to €401,538 (2013 net gain of €349,170).
- g) **Discontinued operation**
The Group remains active in executing the approved strategy to focus exclusively on its core business segments. During the period under review measures have been taken to commence the process of divesting of the investment and advisory division. Subsequent to the reporting date, the Group firmed up an offer with an interested party for the sale of the investment and advisory portfolio. The transaction is pending regulatory approval.

	<u>01 January to 30 June 2014</u>	<u>01 January to 30 June 2013</u>
Revenue	423,217	478,238
Expenses	(753,455)	(534,613)
Loss for the period from discontinued operations	(330,238)	(56,375)

- h) The Group has presented a condensed consolidated statement of cash flows that includes an analysis of all cash flows in total, including both continuing and discontinued operations. The net cash used in operating activities for discontinued operations for the period January to June 2014 amounted to €64,535 (2013: net cash from operating activities amounted to €114,628).
- i) 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 13,207,548 shares (2013: 13,207,548).
- j) In the Directors' opinion the Group's portfolio of investment property has not been materially affected during the period ended 30 June 2014.