Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2015.

Principal activities

GlobalCapital p.l.c. (the "Company") together with its subsidiaries (the "Subsidiaries" and together with the Company the "Group") is involved in:

- the carrying on of long term business of insurance under the Insurance Business Act (Cap. 403 of the Laws of Malta);
- acting as an agent for sickness and accident insurance in terms of the Insurance Intermediaries Act (Cap. 487 of the Laws of Malta);
- the provision of investment services and advice in terms of the Investment Services Act (Cap. 370 of the Laws of Malta);
- money broking and trading in foreign exchange in terms of the Financial Institutions Act (Cap. 376 of the Laws of Malta); and
- the provision on behalf of Group undertakings of property management and consultancy services, including property acquisitions, disposals and development projects.

The Group was also involved in insurance broking activities in terms of the Insurance Intermediaries Act (Cap. 487 of the Laws of Malta); however this activity was discontinued with effect from 1 October 2013.

Review of business

The Group's financial statements for the year ended 31 December 2014 were approved by the directors on the 7 August 2015 and subsequently approved by the shareholders at an Annual General Meeting (AGM) held on 16 September 2015. A new board of directors was elected at the said AGM, including a new Chairman – Prof. Paolo Catalfamo.

The newly constituted board of directors immediately focused its efforts on various urgent initiatives with particular emphasis on putting in place a strategy and implementation plan for raising the necessary funding for the repayment of the Company's bond due for repayment on the 2 June 2016. The board also continued to oversee the financial performance of the Group with a view to continue to steer it in the right direction.

The Group registered pre-tax earnings of Eur5,606,505 compared to Eur0.8M in 2014. The Group's results include net fair value gains on its financial and property investment portfolios amounting to Eur7.2M which were partially compensated by an increase in technical reserves. Net assets stood at Eur7.36 M compared to Eur3.16M in 2014.

The turnaround in the Group's operational performance was the result of the execution of the aggressive transformation strategy that started to take material effect in early June 2014 and which yielded the full results in the financial year ended 31 December 2015. This included the generation of a sustainable level of revenue growth together with a reduction in overall operational costs to ensure long-term financial stability and profitability. This transformation resulted in a better performance of all the regulated businesses forming part of the Group.

The life insurance business registered significant growth in both the conventional and unit linked business, while retaining the prior year's levels of interest sensitive business. The continued efforts to enhance the product suite as well as the re-pricing of existing products facilitated improved competitiveness and marketability, thus generating positive results. This was complemented by a positive performance of the company's investment and property portfolio totaling Eur7,368,021 which was partially compensated by an increase in technical reserves. The life company reported profits after tax of Eur4,417,615 compared to a prior year profit of Eur3,146,443. The increment in the value of in-force business for the year under review amounted to Eur1,355,385 (2014 - Eur610,968) which mainly reflects the higher volumes on profitable terms.

Directors' Report (continued)

Review of business (continued)

The health insurance agency's maintained similar levels of revenue to that generated in 2014 – this despite the competitive environment within which the health business is operating. This coupled with a reduction in operative costs led to a marginal improvement in the company's overall performance. The profit after taxation for 2015 amounted to Eur740,194 compared to 2014's amounting to Eur574,328. Group loss relief amounting to Eur244,405 contributed to a healthier profit after taxation in 2015 when compared to 2014.

The investment company reported a profit for the year of Eur95,197 compared to the 2014 loss of Eur464,224 – a turnaround of Eur559,421. The company's revenue year on year decreased by 10% which was more than offset by the significant decrease in operative costs. The company's provisions for the year increased which adversely impacted the overall performance.

Statement of going concern as required by Listing Rule 5.62

As further described in Note 1 to the financial statements, whilst the directors are confident of the successful outcome of the Company's refinancing plans and the subsequent repayment of the bond on maturity, it is also aware of the significant uncertainties that exist at the date of issue of these financial statements, some of which are not within the directors' control. Such material uncertainty may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Results and dividends

The statements of comprehensive income are set out on pages 13 and 14. The Directors do not recommend the declaration of a dividend (2014 - Nil) as the company did not have any distributable reserves at 31 December 2015.

Post-balance sheet events

After the end of the reporting period, a rights issue offer was made in which 1,618,396 rights were fully paid and taken up, having the nominal value of Eur0.291172, amounting to a total value of Eur471,232. The remaining 15,174,056 rights that were not taken up (i.e. the Lapsed Rights) were subsequently all taken up by eligible shareholders at prices ranging between a high of Eur0.35 and a low of Eur0.2915 per share for a total value of Eur4,424,257. Following the rights issue, the Company's issued share capital increased by 127% to 30,000,000 shares.

Directors' Report (continued)

Directors

The Directors of the Company who held office during the period were:

Paolo Catalfamo	- Appointed 16 September 2015 (Chairman)
Joseph C. Schembri	- Appointed 27 April 2015
Joseph Del Raso	- Appointed 16 September 2015
Andrea Gemma	- Appointed 16 September 2015
Christopher Pace	- Appointed 16 September 2015
Reuben Zammit	- Appointed 16 September 2015
Luigi La Ferla	- Appointed 16 September 2015, resigned 18 January 2016
Joseph R. Aquilina	- Resigned 16 September 2015
Thomas St. John Neville Bates	- Resigned 16 September 2015
Andrew Borg Cardona LL.D.	- Resigned 16 September 2015
Mario P. Galea	- Appointed 27 April 2015, resigned 16 September 2015
Dawood A. Rawat	- Resigned 6 April 2015
Oumeshsingh Sookdawoor	- Resigned 17 April 2015
Arun Shankardass	- Resigned 17 April 2015
Moussa I. Rawat	- Resigned 27 April 2015

The Directors are required in terms of the Company's Articles of Association to retire at the forthcoming Annual General Meeting and may offer themselves for re-appointment or re-election.

Auditors

A resolution to reappoint Deloitte Audit Limited as auditor of the company will be proposed at the forthcoming annual general meeting.

Approved by the Board of Directors and signed on its behalf by:

Paolo Catalfamo
Chairman

Joseph C. Schembri
Director

Registered office:
Testaferrata Street
Ta' Xbiex
Malta

30 April 2016

Corporate Governance – statement of compliance

In accordance with the Listing Rules issued by the Listing Authority of the Malta Financial Services Authority (“MFSA”), GlobalCapital p.l.c. (the “Company”) reports on the extent of its adoption of the Code of Principles of Good Corporate Governance (the “Principles”), and the relevant measures undertaken.

1. Adoption of the principles

The responsibility for ensuring good corporate governance vests in the Board of Directors. The Board of Directors of GlobalCapital p.l.c. remains committed to the adoption of the Principles and best practices established by international codes on corporate governance. The Board of Directors also believes strongly in the importance of appropriate disclosures to ensure transparency and protection of the Company’s stakeholders.

2. Board of Directors

During the financial year ended 31 December 2015, the Board of Directors consisted until April of seven non-executive Directors. Dawood A. Rawat, resigned from director and Chairman of the Board of Directors on the 6 April 2015, and Joseph R. Aquilina was appointed Chairman ad interim in his stead with effect from the same date. Arun Shankardass and Oumeshsingh Sookdawoor resigned from the Board of Directors on the 17 April 2015, followed by the resignation of Moussa I. Rawat on the 27 April 2015. Joseph C. Schembri and Mario P. Galea, both of whom brought to the Company a wealth of experience and expertise were appointed to the Board on the 27 April 2015. The Board consisted of six non-executive directors until the date of the Annual General Meeting held on the 16 September 2015. For the period from the Annual General Meeting until the end of the financial year the Board consisted of six non-executive directors and one executive director, who together bring a wide range of knowledge and specialisation. The appointment of Directors is made at an Annual General Meeting in accordance with the Company’s Memorandum & Articles of Association. Any member holding at least fourteen per cent (14%) of all voting rights of the Company shall have the right to appoint a Director for each and every complete fourteen per cent (14%) thereof. Also, any voting rights, or part thereof, remaining unused by such member in the appointment of a Director, may be aggregated to form the percentage required to appoint a Director directly. The process by which a Director may be appointed on the Board is set out in the Company’s Articles of Association. Details of the attendance of Board Members will be available for inspection at the forthcoming Annual General Meeting.

The Board of Directors meets in accordance with a regular schedule of meetings and reviews and evaluates the Group’s strategy, major operational and financial plans, as well as new material initiatives to be undertaken by the Group. The Board of Directors also meets and discusses from time to time, as often as is required. The Board of Directors meets formally at least once every quarter and at other times on an ‘as and when’ required basis. In view of certain circumstances the Board of Directors met far more often and during the period under review the Board of Directors met thirty six (36) times.

Under the direction of the Chairman, the Company Secretary’s responsibilities include ensuring good information flows between the Board and its committees and between senior management and the Directors as well as ensuring that the Board’s procedures are followed. In addition, the Directors may also seek external professional advice on their duties and responsibilities, at the Company’s expense. The Company’s Articles of Association also provide for adequate controls and procedures in so far as the treatment of conflicts of interest during Board Meetings are concerned.

The Company’s organisational structure includes the position of Chief Executive Officer, currently held by Reuben Zammit, who is also an executive director on the Board of Directors of the Company. The roles of Chief Executive Officer and Chairman are separate and distinct. The Board has delegated specific authorities to the Chief Executive Officer to manage the Group’s activities within the strategy and parameters set by it.

Corporate Governance – statement of compliance (continued)

3. Committees

3.1 The Board of Directors delegates a number of specific duties to the following Board Committees:
- Audit Committee
- Nominations Committee
- Remuneration Committee
- Investment Committee
- Ethics Committee
- Risk Committee

3.1.1. Audit Committee

The Audit Committee is composed entirely of non-executive Directors and assists the Board in monitoring and reviewing the Group's financial statements, accounting policies and internal control mechanisms in accordance with the Committee's terms of reference. The responsibilities of the Audit Committee also include the review and approval of related party transactions in accordance with the Listing Rules.

The Audit Committee also approves and reviews the Group's Compliance Plan and Internal Audit Plan prior to the commencement of every financial year and monitors the implementation of these plans. During the financial year under review, the Audit Committee met eight (8) times.

The Audit Committee was composed of Arun Shankardass as Chairman (until date of resignation on the 17 April 2015), Dr. Andrew Borg Cardona and Professor Thomas St. John Neville Bates as members. Upon their appointment as directors of the Company on the 27 April 2015, Joseph C. Schembri and Mario Galea were appointed to the Audit Committee as Chairman and Member respectively, in lieu of the other members. Following the Annual General Meeting of the Company held on the 16 September 2015, the Audit Committee is composed of Joseph C. Schembri, Chairman, with Joseph del Raso and Andrea Gemma as members.

Joseph C. Schembri is a non-executive director, who the board considers as independent and having the necessary competence in financial and accounting matters for the purposes of the Listing Rules.

The Group's Internal Auditors, the Company's External Auditors and the Chief Executive Officer are invited to attend Audit Committee Meetings on a regular basis, as deemed appropriate.

3.1.2. Nominations Committee

The Nominations Committee is responsible for recommending Directors for election by shareholders at the Annual General Meeting, for planning the structure, size, performance and composition of the Group's subsidiary boards, for the appointment of senior executives and management and for the development of a succession plan for senior executives and management. During the financial year under review, the Nominations Committee met once and following the Annual General Meeting held on the 16 September 2015 it is composed of Paolo Catalfamo as Chairman, Joseph del Raso and Christopher J. Pace as members. The Chief Executive Officer is invited to attend meetings of the Nominations Committee, as deemed appropriate.

Corporate Governance – statement of compliance (continued)

3. Committees - continued

3.1.3. Remuneration Committee

The Remuneration Committee monitors, reviews and advises on the Group's remuneration policy as well as approves the remuneration packages of senior executives and management. At the end of every financial year, the Remuneration Committee draws up a report which is included in the Group's Annual Report. A performance management system has been implemented across the Group. This system is intended to:

(a) enhance the existing systems used to define key performance indicators; and

(b) improve the assessment of performance for all the Group's employees including senior management and members of the Executive Committee.

During 2015, the Remuneration Committee met two (2) times. The members of the Remuneration Committee following the Annual General Meeting of the Company are Paolo Catalfamo, Chairman and Joseph C. Schembri.

3.1.4. Investment Committee

The Investment Committee is responsible for overseeing and developing the investment strategies and policies with respect to investments that may be made by the Company. It is also responsible for the formulation, monitoring and review of Group's Investment processes.

Following the Annual General Meeting the Investment Committee was composed of Paolo Catalfamo, Chairman and Reuben Zammit and Luigi La Ferla. Mr La Ferla has since resigned from the Board of Directors on the 18 January 2016. The Investment Committee did not meet in 2015.

3.1.5. Ethics Committee

The Ethics Committee was composed of Professor Thomas Neville St. John Bates as Chairman and Dr. Andrew Borg Cardona as a member prior to the Annual General Meeting and following the 16th September 2015 it is composed of Joseph del Raso and Andrea Gemma. The Ethics Committee did not meet in 2015.

3.1.6. Risk Committee

The Risk Committee's function is to oversee policies, practices, procedures and controls related to risk identification, capital structure, liquidity management, regulatory compliance and monitoring the annual capital plan. Until his resignation from the Board in April 2015 Moussa I. Rawat was Chairman of the risk committee with Joseph R. Aquilina as a member. Upon his appointment as a director on the Board Mario P. Galea was appointed as Chairman. Following the Annual General Meeting held in 2015, the Risk Committee is now composed of Paolo Catalfamo, Chairman, Reuben Zammit and Andrea Gemma as members.

Corporate Governance – statement of compliance (continued)

3. Committees - continued

3.2 Executive Committee

The Executive Committee manages the Group's day-to-day business and the implementation of the strategy established by the Board of Directors. The Executive Committee meets at least fortnightly and is chaired by Reuben Zammit, the Chief Executive Officer. The members of the Executive Committee are:

Reuben Zammit	Chief Executive Officer and Chairman of the Executive Committee
Shawn Bezzina	Group Financial Controller
Paul Said	Group Operations Manager

4. Directors' dealings

The Directors are informed of their obligations on dealing in GlobalCapital p.l.c. shares in accordance with the parameters, procedures and reporting requirements established in terms of applicable law and the Group's Dealing Rules.

During the financial year ended 31 December 2015, Paolo Catalfamo acquired indirectly 1,180,000 of the ordinary shares of GlobalCapital p.l.c. None of the other directors, directly or indirectly traded any ordinary shares of GlobalCapital p.l.c.

No other material transactions in the Company's shares were effected in which any director had a beneficial or non-beneficial interest.

5. Internal controls

GlobalCapital p.l.c. encompasses different licensed activities regulated by the Malta Financial Services Authority. These activities include investment services business under the Investment Services Act, business of insurance under the Insurance Business Act and insurance intermediaries` activities under the Insurance Intermediaries Act, as well as business of a financial institution under the Financial Institutions Act. The Board of Directors has continued to ensure that effective internal controls and processes are maintained to support sound operations.

The Internal Audit department monitors and reviews the Group's compliance with policies, standards and best practice in accordance with an internal audit plan approved by the Audit Committee. KPMG fulfil the functions of internal auditors of the Company.

6. Annual General Meeting and communication with Shareholders

Business at the Company's Annual General Meeting to be held in July 2016, will cover the approval of the Annual Report and Audited Financial Statements for the year ended 31 December 2015, the election/re-election of Directors, the determination of the maximum aggregate emoluments that may be paid to Directors, the appointment of auditors and the authorisation of the Directors to set the auditors` remuneration.

Apart from the Annual General Meeting, the Group communicates with its shareholders through the Annual Report and Financial Statements, the publication of preliminary statements of interim and annual results, updates and articles on the Group's website, the publication of Group announcements and press releases.

Corporate Governance – statement of compliance (continued)

7. Corporate social responsibility

During the financial year under review, the Group pursued its corporate social responsibility by supporting and contributing to a number of charitable causes.

Approved by the Board of Directors on 30 April 2016 and signed on its behalf by:

Paolo Catalfamo Chairman	Joseph C. Schembri Director

Remuneration Committee Report

The composition and terms of reference of the GlobalCapital p.l.c. Remuneration Committee are in accordance with the recommendations set out in the Malta Financial Services Authority Listing Rules.

Until the 27 April 2015, the Committee was composed of the following members: Professor Thomas St.John Neville Bates, Moussa I. Rawat and Dr. Andrew Borg Cardona. Mr I. Rawat resigned from the Board of Directors in April 2015 and thereafter Professor Bates and Dr Borg Cardona remained as members until the Annual General Meeting. The members of the Remuneration Committee following the Annual General Meeting of the Company are Paolo Catalfamo, Chairman and Joseph C. Schembri. All of the members throughout 2015 on the remuneration committee were non-executive Directors. During the financial year under review, two (2) meetings of the Remuneration Committee were held. The attendance at the meetings was as follows:

Remuneration Committee Member	Committee meetings attended
Andrew Borg Cardona	1
Thomas St. John Neville Bates	1
Professor Paolo Catalfamo	1
Joseph C. Schembri	1

The main activities of the Remuneration Committee include devising of appropriate policies and remuneration packages to attract, retain and motivate Directors and senior management of a high calibre in order to well position the Group within the financial services market and its areas of business.

Remuneration Statement

Senior management remuneration packages consist of basic salary and benefits.

In accordance with the Company's Articles of Association, the total emoluments payable to Directors, whether as fees and/or salaries by virtue of holding employment with the Company, shall be subject to Shareholder approval in General Meetings. The following is the total of the Directors` emoluments for the financial year under review (2015):

Fees	€186,087
Remuneration	€34,074
Total emoluments	**€220,161**

Directors` remuneration and fees are disclosed in aggregate.

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Company Reg No: C51312
VAT Reg No: MT2013 6121
Exemption number: EXO2155

Independent Auditor's Report on the Corporate Governance Statement of Compliance

To the Shareholders of GlobalCapital p.l.c. pursuant to Listing Rule 5.98 issued by the Listing Authority.

Listing Rule 5.97 issued by the Listing Authority requires the Company's Directors to include in their Annual Report a Statement of Compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance with those Principles.

Our responsibility, as auditors of the Company, is laid down by Listing Rule 5.98 which requires us to include a report on the Statement of Compliance.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with these financial statements. Our responsibilities do not extend to considering whether this Statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's Corporate Governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance set out on pages 4 to 8 has been properly prepared in accordance with the requirements of Listing Rule 5.97 issued by the Listing Authority.

Ian Coppini as Director
in the name and on behalf of
Deloitte Audit Limited
Registered auditor
Mriehel, Malta

1 May 2016

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Cassar Torregiani & Associates is a firm of advocates warranted to practise law in Malta and is exclusively authorised to provide legal services in Malta under the Deloitte brand.

Statement of Directors' responsibilities

The Directors are required by the Companies Act (Cap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU which give a true and fair view of the state of affairs of the Company and the Group at the end of each financial year and of the profit or loss of the Company and the Group for the year then ended. In preparing the financial statements, the Directors should:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company and the Group will continue in business as a going concern.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and the Group and which enable the Directors to ensure that the financial statements comply with the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Directors are also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Special considerations relating to the Directors' use of the going concern assumption in the preparation of the financial statements

Under the going concern assumption, a company is viewed as continuing in business for the foreseeable future. When the use of the going concern assumption is appropriate, assets and liabilities are recorded on the basis that the company will be able to realise its assets and discharge its liabilities in the normal course of business.

When preparing financial statements, the Directors shall make an assessment of the company's ability to continue as a going concern. A company shall prepare financial statements on a going concern basis unless the Directors either intend to liquidate the entity or to cease trading, or have no realistic alternative but to do so. It shall not prepare its financial statements on a going concern basis if the Directors determine after the reporting period either that it intends to liquidate the company or to cease trading, or that it has no realistic alternative but to do so.

When a company does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the company is not regarded as a going concern.

The Directors' assessment of the entity's ability to continue as a going concern involves making a judgment, at a particular point in time which is the date the financial statements are authorised for issue, about inherently uncertain future outcomes of events or conditions. The following factors are relevant to that judgment:

- The degree of uncertainty associated with the outcome of an event or condition increases significantly the further into the future an event or condition or the outcome occurs. For that reason, the financial reporting framework specifies the period for which the Directors are required to take into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The degree of consideration depends on the facts in each case.
- The size and complexity of the entity, the nature and condition of its business and the degree to which it is affected by external factors affect the judgment regarding the outcome of events or conditions.
- Any judgment about the future is based on information available at the time at which the judgment is made, which is the date the financial statements are authorised for issue. Subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made.

When the Directors are aware, in making their assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the company's ability to continue as a going concern, the company shall disclose those uncertainties. The events or conditions requiring disclosure may arise after the reporting period but before the date the financial statements are authorised for issue.

The application and other explanatory material in applicable auditing standards illustrate that in circumstances where a company's financing arrangements will expire shortly after both the reporting period and the date the financial statements were authorised for issue (as distinct from having already expired), and the company has been unable to re-negotiate or obtain replacement financing, then the financial statements prepared on a going concern basis at that intermediate date will give a true and fair view of the company's financial position as long as complete and adequate disclosure of the relevant material uncertainty is made in the financial statements.

Statement of the Directors pursuant to Listing Rule 5.68

We confirm that to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU and in accordance with the requirements of the Companies Act (Cap. 386), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

2. the Directors' report includes a fair review of the performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Approved by the Board of Directors on 30 April 2016 and signed on its behalf by:

Paolo Catalfamo Chairman	Joseph C. Schembri Director

Statements of comprehensive income

		Year ended 31 December			
		Group		**Company**	
	Notes	**2015**	2014	**2015**	2014
		€	€	**€**	€
Commission and fees receivable	*3*	**2,568,299**	2,724,420	**-**	-
Commission payable and direct marketing costs	*4*	**(147,059)**	(145,333)	**-**	-
Balance on the long term business of insurance technical account before tax (page 14)		**941,509**	1,316,623	**-**	-
Increment in the value of in-force business		**1,355,385**	610,968	**-**	-
Staff costs	*4*	**(949,264)**	(1,170,867)	**-**	-
Other expenses	*4*	**(1,773,405)**	(1,858,397)	**(753,169)**	(743,394)
Investment income, net of allocation to the insurance technical account	*6*	**4,265,075**	632,402	**1,660**	421,487
Investment expenses, net of allocation to the insurance technical account	*6*	**(983,446)**	(92,281)	**(761)**	(65,064)
Finance costs, net of allocation to the insurance technical account	*6*	**(805,841)**	(983,512)	**(823,775)**	(1,060,880)
Profit/(loss) for the year before impairment charges and fair value movements on investment properties		**4,471,253**	1,034,023	**(1,576,045)**	(1,447,851)
Net gains on investment property, net of allocation to the insurance technical account	*6*	**1,251,839**	53,003	**-**	-
Other provisions	*4*	**(116,587)**	(275,875)	**-**	-
Impairment of intercompany receivables	*4*	**-**	-	**-**	(206,965)
Profit/(loss) before tax		**5,606,505**	811,151	**(1,576,045)**	(1,654,816)
Tax (expense)/credit	*7*	**(1,481,762)**	(588,480)	**17,219**	18,194
Profit/(loss) for the financial year attributable to the shareholders of the company		**4,124,743**	222,671	**(1,558,826)**	(1,636,622)
Other comprehensive income/(loss)					
Items that may be reclassified subsequently to profit or loss					
Net gain/(loss) on available-for-sale financial assets		**112,144**	(40,314)	**-**	-
Deferred tax on available-for-sale financial assets		**(39,345)**	(98,749)	**-**	-
Total comprehensive gain/(loss) for the year, net of tax, attributable to the shareholders of the company		**4,197,542**	83,608	**(1,558,826)**	(1,636,622)
Profit per share (cents)	*9*	**31c2**	1c7		

Technical account – long term business of insurance

		Year ended 31 December	
		Group	
	Notes	**2015**	2014
		€	€
Earned premiums, net of reinsurance			
Gross premiums written		**9,346,664**	8,219,126
Outward reinsurance premiums		**(869,494)**	(633,559)
Earned premiums, net of reinsurance		**8,477,170**	7,585,567
Investment income	*6*	**1,772,693**	2,079,308
Fair value gains on investments	*6*	**4,236,583**	1,564,141
Investment contract fee income		**740,681**	318,491
Total technical income		**15,227,127**	11,547,507
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		**9,415,306**	8,473,783
- reinsurers' share		**(243,942)**	(124,777)
		9,171,364	8,349,006
Change in the provision for claims			
- gross amount		**187,775**	(170,545)
- reinsurers' share		**(32,396)**	44,316
	17	**155,379**	(126,229)
Claims incurred, net of reinsurance		**9,326,743**	8,222,777
Change in other technical provisions, net of reinsurance			
Insurance contracts			
- gross amount		**4,412,047**	2,095,512
- reinsurers' share		**(1,253,135)**	(291,767)
	17	**3,158,912**	1,803,745
Investment contracts with DPF - gross	*17*	**(339,120)**	(1,914,061)
Investment contracts without DPF - gross		**146,263**	(103,443)
Change in other technical provisions, net of reinsurance		**2,966,055**	(213,759)
Claims incurred and change in other technical provisions, net of reinsurance		**12,292,798**	8,009,018
Net operating expenses	*4*	**1,961,169**	2,091,407
Unrealised loss on investments	*6*	**-**	72,448
Other investment charges and expenses	*6*	**31,651**	58,011
Total technical charges		**14,285,618**	10,230,884
Balance on the long term business of insurance technical account before tax		**941,509**	1,316,623

Statements of financial position

		As at 31 December			
		Group		**Company**	
		2015	2014	**2015**	2014
	Notes	**€**	€	**€**	€
ASSETS					
Intangible assets	*11*	**7,162,730**	6,233,654	**2,293**	5,673
Property, plant & equipment	*13*	**2,449,842**	2,709,197	**22,034**	39,147
Investment property	*14*	**15,237,008**	20,395,208	**-**	-
Investment in group undertakings	*15*	**-**	-	**6,451,553**	6,451,553
Deferred tax asset	*12*	**307**	413	**-**	-
Other investments	*16*	**55,580,847**	51,937,471	**2,129,258**	1,973,808
Reinsurers' share of technical provisions	*17*	**3,612,349**	2,326,819	**-**	-
Taxation receivable		**581,058**	495,046	**20,724**	92,283
Property held for development	*18*	**-**	679,930	**-**	-
Trade and other receivables	*19*	**2,555,144**	1,991,047	**117,146**	335,556
Cash and cash equivalents	*26*	**5,440,651**	2,571,167	**40,187**	48,018
Non-current assets held-for-sale	*14*	**8,415,000**	156,429	**-**	-
Total assets		**101,034,936**	89,496,381	**8,783,195**	8,946,038
EQUITY AND LIABILITIES					
Capital and reserves attributable to the company's shareholders					
Share capital	*20*	**3,845,668**	3,845,668	**3,845,668**	3,845,668
Share premium account	*21*	**16,970,641**	16,970,641	**16,970,641**	16,970,641
Other reserves	*22*	**4,297,968**	3,344,169	**-**	-
Accumulated losses		**(17,754,188)**	(20,997,931)	**(29,061,221)**	(27,502,395)
Total equity		**7,360,089**	3,162,547	**(8,244,912)**	(6,686,086)
Technical provisions:					
Insurance contracts	*17*	**49,383,544**	44,971,497	**-**	-
Investment contracts with DPF	*17*	**17,030,087**	17,369,207	**-**	-
Investment contracts without DPF	*17*	**4,651,692**	3,467,840	**-**	-
Provision for claims outstanding	*17*	**444,557**	256,782	**-**	-
Interest bearing borrowings	*23*	**13,801,023**	14,027,626	**13,801,023**	14,027,626
Deferred tax liability	*12*	**3,104,849**	2,079,702	**7,762**	24,981
Trade and other payables	*24*	**5,211,363**	3,921,051	**3,219,322**	1,579,517
Current tax liabilities		**47,732**	240,129	**-**	-
Total liabilities		**93,674,847**	86,333,834	**17,028,107**	15,632,124
Total equity and liabilities		**101,034,936**	89,496,381	**8,783,195**	8,946,038

The financial statements on pages 13 to 85 were approved by the Board of Directors, authorised for issue on 30 April 2016 and were signed on its behalf by:

Paolo Catalfamo
Chairman

Joseph C. Schembri
Director

Statements of changes in equity

Group

	Attributable to the company's shareholders				
	Share capital €	Share premium account €	Other reserves €	Accumulated losses €	Total €
Balance at 1 January 2014	3,845,668	16,970,641	3,086,103	(20,823,473)	3,078,939
Profit for the financial year	-	-	-	222,671	222,671
Other comprehensive loss for the year	-	-	(139,063)	-	(139,063)
Total comprehensive (loss)/gain for the year	-	-	(139,063)	222,671	83,608
Increment in value of in-force business, transferred to other reserves	-	-	397,129	(397,129)	-
	-	-	397,129	(397,129)	-
Balance at 31 December 2014	**3,845,668**	**16,970,641**	**3,344,169**	**(20,997,931)**	**3,162,547**
Balance at 1 January 2015	3,845,668	16,970,641	3,344,169	(20,997,931)	3,162,547
Profit for the financial year	-	-	-	4,124,743	4,124,743
Other comprehensive gain for the year	-	-	72,799	-	72,799
Total comprehensive gain for the year	-	-	72,799	4,124,743	4,197,542
Increment in value of in-force business, transferred to other reserves	-	-	881,000	(881,000)	-
	-	-	881,000	(881,000)	-
Balance at 31 December 2015	**3,845,668**	**16,970,641**	**4,297,968**	**(17,754,188)**	**7,360,089**

Statements of changes in equity (continued)

Company

	Share capital €	Share premium account €	Accumulated losses €	Total €
Balance at 1 January 2014	3,845,668	16,970,641	(25,865,773)	(5,049,464)
Loss for the financial year/total comprehensive loss for the year	-	-	(1,636,622)	(1,636,622)
Balance at 31 December 2014	3,845,668	16,970,641	(27,502,395)	(6,686,086)
Balance at 1 January 2015	3,845,668	16,970,641	(27,502,395)	(6,686,086)
Loss for the financial year/total comprehensive loss for the year	-	-	(1,558,826)	(1,558,826)
Balance at 31 December 2015	**3,845,668**	**16,970,641**	**(29,061,221)**	**(8,244,912)**

Statements of cash flows

		Year ended 31 December			
		Group		Company	
	Notes	**2015**	2014	**2015**	2014
		€	€	**€**	€
Cash generated from/(used in) operations	*25*	**985,106**	(1,395,214)	**(233,419)**	(5,640,704)
Dividends received		**687,093**	359,777	**-**	56,152
Interest received		**1,151,276**	1,478,592	**1,103**	254,892
Interest paid		**(756,644)**	(934,315)	**(774,578)**	(1,011,683)
Tax paid		**(563,272)**	(94,451)	**71,559**	32,802
Net cash generated from/(used in) operating activities		**1,503,559**	(585,611)	**(935,335)**	(6,308,541)
Cash flows generated from/(used in) investing activities					
Purchase of intangible assets	*11*	**(51,456)**	(819,873)	**-**	-
Purchase of property, plant and equipment	*13*	**(26,515)**	(6,959)	**(4,666)**	-
Purchase of investment property	*14*	**(62,526)**	(173,910)	**-**	-
Purchase of financial assets at fair value through profit or loss	*16*	**(6,840,829)**	(8,435,057)	**(20,315)**	-
Proceeds on maturity of held-to-maturity investments	*16*	**725,352**	-	**-**	-
Proceeds from disposal of investments at fair value through profit or loss		**6,414,776**	6,615,169	**-**	3,817,297
Proceeds from disposal of available-for-sale financial assets		**332,321**	344,723	**-**	-
Proceeds from disposal of investment property	*14*	**-**	107,398	**-**	-
Proceeds from property classified as non-current assets held for sale		**156,429**	180,000	**-**	-
Proceeds on maturity of cash instruments	*16*	**1,000,000**	600,000	**-**	-
Net movement on other investments				**-**	-
-loans and receivables	*16*	**(5,827)**	(11,151)	**-**	-
Net cash generated from/(used in) investing activities		**1,641,725**	(1,599,660)	**(24,981)**	3,817,297
Cash flows (used in)/generated from financing activities					
Movement in amounts due to/from group undertakings		**-**	-	**1,228,285**	4,707,826
Payment for purchase of own debt		**(275,800)**	(2,386,553)	**(275,800)**	(2,386,553)
Net cash (used in)/generated from financing activities		**(275,800)**	(2,386,553)	**952,485**	2,321,273
Movement in cash and cash equivalents		**2,869,484**	(4,571,824)	**(7,831)**	(169,971)
Cash and cash equivalents at the beginning of year		**2,571,167**	7,142,991	**48,018**	217,989
Cash and cash equivalents at the end of year	*26*	**5,440,651**	2,571,167	**40,187**	48,018

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

1. Basis of preparation

These consolidated financial statements comprise the Company and its subsidiaries (collectively the 'Group'). The Group is primarily involved in the carrying on of long term business of insurance under the Insurance Business Act (Cap. 403), acting as an agent for sickness and accident insurance in terms of the Insurance Intermediaries Act (Cap. 487), the provision of investment services and advice in terms of the Investment Services Act (Cap. 370), money broking and trading in foreign exchange in terms of the Financial Institutions Act (Cap. 376), and the provision on behalf of Group undertakings of property management and consultancy services, including property acquisitions, disposals and development projects.

The Group's financial statements for the year ended 31 December 2014 were approved by the directors on the 7 August 2015 and subsequently approved by the shareholders at an Annual General Meeting (AGM) held on 16 September 2015. A new board of directors was elected at the said AGM, including a new Chairman – Prof. Paolo Catalfamo.

The newly constituted board of directors immediately focused its efforts on various urgent initiatives with particular emphasis on putting in place a strategy and implementation plan for raising the necessary funding for the repayment of the Company's bond due for repayment on the 2 June 2016. The board also continued to oversee the financial performance of the Group with a view to continue to steer it in the right direction.

The Group has successfully continued to grow its asset base primarily from its life insurance subsidiary through the increased sales of life insurance products which was complemented by a positive performance of the Group's investment portfolio. The health insurance agency once again registered a steady performance and healthy profitability. The Group registered pre-tax earnings of Eur5.6M compared to Eur0.8M in 2014. The Group's results include net fair value gains on its financial and property investment portfolios amounting to €7.2M which were partially compensated by an increase in technical reserves. Net assets stood at Eur7.36 M compared to Eur3.16M in 2014.

The Company's bond, amounting to Eur13.8M excluding accrued interest of Eur0.8M, is due for repayment on 2 June 2016, as further described in note 23. At the date of approval of these financial statements, the Company has only secured part of the funding required for repayment with a plan in place for securing the remaining funds. The directors' plan for refinancing the bond on maturity is as follows:

- Eur4.7M from funds generated through a rights issue concluded in March 2016, whereby Investar plc became the majority shareholder of the Company with a 52.6% shareholding. These funds are available to the Company and have been placed in a sinking fund for the repayment of the bond;

- The remaining balance of Eur9.9M through the issue of a Eur10M five year bond with a coupon of 5% p.a. (the "New Bond"). The Company is actively working on an application for regulatory approval of the admissibility to listing of the New Bond. The Company anticipates that all actions necessary to obtain regulatory approval for the New Bond to be issued prior to 2 June 2016 will be completed in a timely manner and that once the New Bond is issued and subscribed, the proceeds from the issue will be available for the Company to meet its existing bond obligation on maturity, including the payment of the bond coupon of Eur0.8M due on the same date. The success of the New Bond is however subject to a number of conditions, the most significant being:

1. Basis of preparation (continued)

- Obtaining all necessary regulatory approvals, including the approval of the bond prospectus, to raise the necessary funding for the refinancing of the existing bond prior to its maturity date within the limited time frame available; and

- The take-up in full of the New Bond for an aggregate amount of Eur10M which the Company is in the process of addressing by securing commitments from shareholders / professional investors to subscribe to any shortfall in the event that the New Bond is not subscribed in full.

The directors are fully cognisant of the challenges but remain confident that regulatory approval for the New Bond will be obtained timeously and that the New Bond issue will be successful in raising the necessary funding in view of the following steps which they have taken:

At the time of approval of these financial statements, the Company has applied for authorisation to admissibility to listing of the New Bond and the directors are confident that the Company's application meets the conditions of the MFSA for regulatory approval of the New Bond.

The Company has received a commitment from its majority shareholder Investar p.l.c. to subscribe up to Eur5M in nominal value in New Bonds in the event that there is a shortfall of such an amount or more in the overall take-up of the New Bonds. The Company has also received commitments from other shareholders / professional investors, through its sponsor, to subscribe up to an additional Eur5M in aggregate in nominal value in the New Bonds in the event of a shortfall in the overall take-up of the New Bonds after the fulfilment by Investar p.l.c. of its foregoing commitment to subscribe to Eur5M in nominal value of the New Bonds. Such commitments amount in aggregate to Eur10M which is equivalent to the full amount of the New Bond.

While the directors do not, as at the date of approval of these financial statements, have all the evidence to definitively support the ability of the shareholders to fulfil their commitments within the required timeframes, the Company continues to work prudently with its majority shareholder Investar p.l.c. and, through its sponsor, with the other shareholders / professional investors who have made the commitments referred to above, to obtain appropriate comfort in respect of the committed funding to support the New Bond.

As at the date of these financial statements, however, the directors remain confident that Investar p.l.c. which has subscribed in March 2016 to Eur4.2M in nominal value in new shares in the Company, thereby becoming the majority shareholder of the Company with a 52.6% shareholding, will honour its commitment to support the Company. The Directors also expect that the other shareholders / professional investors who have made the commitments referred to above in favour of the Company would honour their commitment in favour of the Company.

Furthermore, the Board of Directors has resolved that a further rights issue for an amount of Eur5M will be made following the issue of the New Bond and this within the next twelve months to strengthen the Company's capital base. In the event of such rights issue, the Company will also be required to seek prior shareholder approvals in general meeting by means of an extraordinary resolution in order to increase its authorized share capital for the Company to be able to increase its issued share capital.

In conclusion, whilst the directors are confident of the successful outcome of the Company's refinancing plans and the subsequent repayment of the bond on maturity, it is also aware of the significant uncertainties that exist at the date of issue of these financial statements, some of which are not within the directors' control. Such material uncertainty may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

1. Basis of preparation (continued)

These financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRSs), and with the Companies Act (Cap. 386). The consolidated financial statements include the financial statements of GlobalCapital p.l.c. and its subsidiary undertakings. They also comply with the requirements of the Insurance Business Act (Cap. 403) in consolidating the results of GlobalCapital Life Insurance Limited, where appropriate. The financial statements are prepared under the historical cost convention, as modified by the fair valuation of investment property, financial assets and financial liabilities at fair value through profit or loss, available for sale investments and the value of in-force business.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group and the Company determine when transfers are deemed to have occurred between Levels in the hierarchy at the end of each reporting period.

The preparation of financial statements in conformity with EU IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Group's and the company's accounting policies. The areas involving a higher degree of judgement and estimates or complexity are disclosed in Note 1 to these financial statements.

The statements of financial position are presented in increasing order of liquidity, with additional disclosures on the current or non-current nature of the assets and liabilities provided within the notes to the financial statements.

International Financial Reporting Standards in issue but not yet effective

Certain new standards and amendments, revisions and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are not mandatory for the current accounting period.

The Company and the Group have not early adopted these new standards or these amendments, revisions and interpretations to existing standards. The directors are assessing the impact that these standards will have on the Company and the Group financial statements.

1. Basis of preparation (continued)

International Financial Reporting Standards in issue but not yet effective (continued)

Amendment to IAS 27 – Equity Method in Separate Financial Statements

The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The effective date for IFRS as adopted by the European Union is 1 January 2016.

IFRS 9 – Financial Instruments

The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The Standard supersedes all previous versions of IFRS 9.

IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule based requirements that are generally considered to be overly complex and difficult to apply. The new model also results in a single, forward-looking 'expected loss' impairment model that will require more timely recognition of expected credit losses. The effective date for IFRS is 1 January 2018. IFRS 9 has not yet been endorsed by the EU.

Amendment to IAS 1 – Disclosure Initiative

The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. The effective date for IFRS as adopted by the European Union is 1 January 2016.

IFRS 15 – Revenue from Contracts with Customers

The standard is the result of a convergence project between the IASB and the FASB. IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 'Revenue', IAS 11 'Construction Contracts' and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions being leases, financial instruments and insurance contracts.

By virtue of an amendment issued on 11 September 2015, the effective date of the Standard was deferred by one year to annual periods beginning on or after 1 January 2018, with earlier application being permitted. This Standard has not as yet been endorsed by the EU at the date of authorisation of these financial statements.

1. Basis of preparation (continued)

International Financial Reporting Standards in issue but not yet effective (continued)

IFRS 16 – Leases

The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains substantially unchanged (except for a requirement to provide enhanced disclosures) and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations. IFRS 16 is effective for periods beginning on or after 1 January 2019. Early application is permitted for companies that also apply IFRS 15 Revenue from Contracts with Customers. This Standard has not as yet been endorsed by the EU at the date of authorisation of these financial statements.

2. Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an investee when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are recognised in the profit and loss as incurred, except for costs to issue debt or equity securities.

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired. Goodwill is measured as the excess of:

a. The aggregate of:
    i. the consideration transferred;
    ii. the amount of any non-controlling interest in the acquiree; and
    iii. in a business combination achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree.
b. The net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

2. Consolidation (continued)

Subsidiaries (continued)

Any gain on a bargain purchase, after reassessment, is recognised immediately in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. A listing of the Group's principal subsidiaries is set out in Note 15.

3. Intangible assets

(a) Goodwill

Goodwill on acquisition of group undertakings is included in intangible assets. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(b) Value of in-force business

On acquisition of a portfolio of long term contracts, the net present value of the Shareholders' interest in the expected after-tax cash flows of the in-force business is capitalised in the statement of financial position as an asset. The value of in-force business is subsequently determined by the Directors on an annual basis, based on the advice of the approved actuary. The valuation represents the discounted value of projected future transfers to Shareholders from policies in force at the year-end, after making provision for taxation. In determining this valuation, assumptions relating to future mortality, persistence and levels of expenses are based on experience of the type of business concerned. Gross investment returns assumed vary depending on the mix of investments held and expected market conditions. All movements in the in-force business valuation are credited or debited to the profit or loss. They are subsequently transferred out of retained earnings to other reserves.

(c) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives (five years). Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

4. Deferred income tax

Deferred income tax is provided using the balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates or those that are substantively enacted by the end of the reporting period are used in the determination of deferred income tax.

Deferred income tax related to the fair value re-measurement of investments is allocated between the technical and non-technical account depending on whether the temporary differences are attributed to policyholders or shareholders respectively.

Deferred tax assets are recognised only to the extent that future taxable profit will be available such that realisation of the related tax benefit is probable.

5. Property, plant and equipment

Property, plant and equipment, comprising land and buildings, office furniture, fittings and equipment and motor vehicles, are initially recorded at cost and are subsequently shown at cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

	%
Buildings	2
Office furniture, fittings and equipment	20 - 25
Motor vehicles	20

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

6. Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets and disposal groups classified as held for sale are measured at the lower of the assets’ previous carrying amount and fair value less costs to sell. An impairment loss is recognised in profit or loss. Non-current assets are not depreciated (or amortised) while they are classified as held for sale or while they are part of a disposal group classified as held for sale.

7. Investment properties

Freehold and leasehold properties treated as investments principally comprise buildings that are held for long term rental yields or capital appreciation or both, and that are not occupied by the Group. Investment properties are initially measured at cost including related transaction costs. Investment properties are subsequently carried at fair value, representing open market value determined annually by external valuers, or by virtue of a Directors' valuation. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

Unrealised gains and losses arising from changes in fair value (net of deferred taxation) are recognised in the profit or loss.

8. Investment in group undertakings

In the Company's financial statements, shares in group undertakings are accounted for by the cost method of accounting, net of impairment loss. The Company gathers objective evidence that an investment is impaired using the same process adopted for financial assets held at amortised cost and available-for-sale assets. These processes include but are not limited to those disclosed in accounting policy 10(a). The impairment loss is measured in accordance with accounting policy 10(b). On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit or loss.

The dividend income from such investments is included in profit or loss in the accounting year in which the Company's right to receive payment of any dividend is established.

9. Other financial assets

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

The Group classifies its other financial assets in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. The Directors determine the appropriate classification of the Group's financial assets at initial recognition, and re-evaluate such designation at every reporting date.

9. Other financial assets (continued)

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A non-derivative financial asset is classified into this category at inception if acquired principally for the purpose of selling in the near-term, if it forms part of a portfolio of financial assets that are managed together and for which there is evidence of short term profit-taking, if the financial asset is part of a group of financial assets that is managed on a portfolio basis and whose performance is evaluated and reported internally to the Group's key management personnel on a fair value basis in accordance with a documented financial assets strategy or if this designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

(b) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity other than those that upon initial recognition are designated as at fair value through profit or loss, those that are designated as available-for-sale financial assets and those that meet the definition of loans and receivables are classified as held-to-maturity investments.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that are held for trading or that are designated as at fair value through profit or loss or as available for sale or those for which the Group may not recover substantially all of its investment other than because of credit deterioration. They include, inter alia, receivables, interest bearing deposits and advances.

(d) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are either designated in this category by the Group or not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

All purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase or sell the assets. All financial assets are initially recognised at fair value, plus in the case of financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where they have been transferred and the transfer qualifies for de-recognition.

Financial assets at fair value through profit or loss are subsequently re-measured at fair value. Held-to-maturity investments and loans and receivables are carried at amortised cost using the effective interest method unless the effect of discounting is immaterial, less any provision for impairment.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss.

9. **Other financial assets** (continued)

Available-for-sale financial assets are measured at their fair value. Gains and losses arising from a change in fair value are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Interest calculated using the effective interest method is recognised in profit or loss.

The fair value of quoted financial assets is based on quoted market prices at the end of the reporting period. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

10. Impairment of assets

(a) Impairment of financial assets at amortised cost and available-for-sale investments

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset ("a loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

(i) significant financial difficulty of the issuer or debtor;
(ii) a breach of contract, such as a default or delinquency in payments;
(iii) it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation; and
(iv) observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

In addition to the above loss events, objective evidence of impairment for an investment in an equity instrument includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered and/or a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

For financial assets at amortised cost, the Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss.

10. Impairment of assets (continued)

(a) Impairment of financial assets at amortised cost and available-for-sale investments (continued)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative impairment loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment and is measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss for an available-for-sale investment in an equity instrument are not reversed through profit or loss. Impairment losses recognised in profit or loss for an available-for-sale investment in a debt instrument are reversed through profit or loss if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

(b) Impairment of other financial assets

At the end of each reporting period, the carrying amount of other financial assets is reviewed to determine whether there is an indication of impairment and if any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is the amount by which the amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less the costs to sell and value in use. Impairment losses and reversals are recognised in profit or loss.

(c) Impairment of non-financial assets

Assets that are subject to amortisation or depreciation, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, principally comprise property, plant and equipment and computer software. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss recognised in a prior year is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. Impairment losses and reversals are recognised in profit or loss.

Goodwill arising on the acquisition of subsidiaries is tested for impairment at least annually. Goodwill is allocated to each of the Group’s cash-generating units expected to benefit from the synergies of the combination. Where the recoverable amount is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

11. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

12. Property held for development

When the main object of a property project is the development for resale purposes, the asset is classified in the financial statements as property held for development. The development property is carried at the lower of cost and net realisable value. Cost comprises the purchase cost of acquiring the property together with other costs incurred during its subsequent development including:

(i) The costs incurred on development works, including demolition, site clearance, excavation, construction, etc.

(ii) The cost of various design and other studies conducted in connection with the project, together with all other expenses incurred in connection therewith.

(iii) Any borrowing costs attributable to the development phases of the project.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

13. Insurance contracts and investment contracts with DPF

(a) Classification

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

A number of insurance and investment contracts contain a DPF (“Discretionary participation feature”). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Group; and
- that are based on realised and/or unrealised investment returns on underlying assets held by the Group.

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus), and within which the Group may exercise its discretion as to the quantum and timing of their payment to contract holders, also considering the advice of the approved actuary.

(b) Recognition and measurement

Insurance contracts and investment contracts with DPF are categorised depending on the duration of risk and whether or not the terms and conditions are fixed.

Short term insurance contracts

These contracts are short duration life insurance contracts. They protect the Group’s customers from the consequences of events (such as death or disability) that would affect the ability of the customer or his/her dependants to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits under these insurance contracts.

13. Insurance contracts and investment contracts with DPF (continued)

(b) Recognition and measurement (continued)

Long term contracts

Insurance contracts without DPF

These contracts insure events associated with human life (mainly for death) over a long and fixed duration. The guaranteed and fixed element for these contracts relates to the sum assured, i.e. the benefit payable on death.

Insurance contracts with DPF

In addition to the guaranteed amount payable on death, these products combine a savings element whereby a portion of the premium receivable, and declared returns, are accumulated for the benefit of the policyholder. Annual returns may combine a guaranteed rate of return and a discretionary element.

Investment contracts with DPF

These long term contracts are substantially savings products since they do not transfer significant insurance risk. Annual returns may combine a guaranteed rate of return and a discretionary element.

The Group does not recognise the guaranteed element separately from the DPF for any of the contracts that it issues. As permitted by IFRS 4, it continues to apply accounting policies existing prior to this standard in respect of such contracts, further summarised as follows:

(i) Premiums are recognised as revenue when they become payable by the policyholder. Premiums are shown before deduction of commission, and are inclusive of policy fees receivable.

(ii) Maturity claims are charged against revenue when due for payment. Surrenders are accounted for when paid or, if earlier, on the date when the policy ceases to be included within the calculation of the liability. Death claims and all other claims are accounted for when notified. Claims payable include related internal and external claims handling costs.

(iii) Bonuses charged to the long term business technical account in a given year comprise:

  (a) new reversionary bonuses declared in respect of that year, which are provided within the calculation of the respective liability;

  (b) terminal bonuses paid out to policyholders on maturity and included within claims paid; and

  (c) terminal bonuses accrued at the Group’s discretion, and included within the respective liability.

13. Insurance contracts and investment contracts with DPF (continued)

(b) Recognition and measurement (continued)

Long term contracts (continued)

(iv) A liability for long term contractual benefits that are expected to be incurred in the future is recorded when premiums are recognised. This liability is determined by the approved actuary following his annual investigation of the financial condition of the Group's long term business as required under the Insurance Business Act (Cap. 403). It is calculated in accordance with the relevant legislation governing the determination of liabilities for the purposes of statutory solvency. The calculation uses a prospective valuation method, unless a retrospective calculation results in a higher liability, and makes explicit provision for vested reversionary bonuses. Provision is also made, explicitly or implicitly, for future reversionary bonuses. The prospective method is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used. The liability is based on assumptions as to mortality, maintenance expenses and investment income that are established at the time the contract is issued, subject to solvency restrictions set out in the Insurance Business Act (Cap. 403). The retrospective method is based on the insurance premium credited to the policyholder's account, together with explicit provision for vested bonuses accruing as at the end of the reporting period, and adjustment for mortality risk and other benefits.

This long term liability is recalculated at the end of each reporting period. The above method of calculation satisfies the minimum liability adequacy test required by IFRS 4. The liability in respect of short term insurance contracts is based on statistical analysis for the claims incurred but not reported, estimates of the expected ultimate cost of more complex claims that may be effected by external factors (such as court decisions), and further includes the portion of premiums received on in-force contracts that relate to unexpired risks at the end of the reporting period.

(c) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts in accounting policy 13(a) are classified as reinsurance contracts held. Contracts that do not meet the classification requirements are classified as financial assets.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurers' share of technical provisions or receivables from reinsurers (unless netted off against amounts payable to reinsurers). These assets consist of short term balances due from reinsurers (classified within receivables), as well as longer term receivables (classified as reinsurers' share of technical provisions) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit or loss. The Group gathers objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets. These processes are described in accounting policy 10(a).

(d) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and policyholders. If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit or loss in a similar manner to the process described above for reinsurance contracts held (also see accounting policy 10(a)).

14. Investments contracts without DPF

The Group issues investment contracts without DPF. Premium arising on these contracts is classified as a financial liability – investment contracts without DPF. Investment contracts without fixed terms are financial liabilities whose fair value is dependent on the fair value of underlying financial assets, and are designated at inception as at fair value through profit or loss. The fair value of a unit linked financial liability is determined using the current unit values that reflect the fair values of the financial assets linked to the financial liability multiplied by the number of units attributed to the contract holder at the end of the reporting period. If the investment contract is subject to a surrender option, the fair value of the financial liability is never less than the amount payable on surrender, where applicable. Other benefits payable are also accrued as appropriate.

15. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value. For the purposes of the statements of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks and time deposits maturing within three months (unless these are held specifically for investment purposes) and are net of the bank overdraft, which is included with liabilities.

16. Borrowings and trade payables

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Trade payables are stated at their nominal value unless the effect of discounting is material.

Borrowing costs are capitalised within property held for development in so far as they relate to the specific external financing of assets under development. Such borrowing costs are capitalised during the development phase of the project. Other borrowing costs are recognised as an expense in the year to which they relate.

17. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

18. Dividend distribution

Dividend distribution to the Company’s Shareholders is recognised as a liability in the Company’s financial statements in the period in which the dividends are declared.

19. Fiduciary activities

Client monies are held by the Group as a result of clients’ trades that have not yet been fulfilled. They are not included in the financial statements as these assets are held in a fiduciary capacity.

20. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

21. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of value added tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Group and these can be measured reliably. Revenue also includes interest, dividend and rental income. The following specific recognition criteria must also be met before revenue is recognised:

(a) Rendering of services

Premium recognition dealing with insurance contracts and investments contracts with DPF is described in accounting policy 13. Revenue arising from the issue of investment contracts without DPF is recognised in the accounting period in which the services are rendered.

Other turnover arising on rendering of services represents commission, consultancy and advisory fees receivable in respect of the Group's activities in providing insurance agency, brokerage or investment services. Performance fees are recognised in the financial statements on the date when the advisor's entitlement to the income is established.

(b) Sale of property held for development

Revenue from the sale of property held for development is recognised when the significant risks and rewards of ownership of property being sold are effectively transferred to the buyer. This is generally considered to occur at the later of the date of contract of sale and the date when all the Company's obligations relating to the property are completed and the possession of the property can be transferred in the manner stipulated by the contract of sale. Amounts received in respect of sales that have not yet been recognised in the financial statements, due to the fact that the significant risks and rewards of ownership still rest with the Company, are treated as deposits on contracts and are included with payables.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Interest income

Interest income from financial assets not classified as fair value through profit or loss is recognised using the effective interest method.

22. Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Euro, which is the Company's functional and presentation currency.

22. Foreign currencies (continued)

(b) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured at fair value are re-translated using the exchange rate ruling on the date the fair value was measured. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured in terms of historical cost are not re-translated. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

23. Investment return

The total investment return in the notes includes dividend income, net fair value movements on financial assets at fair value through profit or loss (including interest income from financial assets classified as fair value through profit or loss), interest income from financial assets not classified as fair value through profit or loss, rental receivable and net fair value movements on investment property and is net of investment expenses, charges and interest.

The investment return is allocated between the insurance technical account and the non-technical account on the basis of the investment return as recommended by the approved actuary.

24. Leases

Rentals payable under operating leases, less the aggregate benefit of incentives received from the lessor, are recognised as an expense in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Leased assets are presented in the statement of financial position according to their nature and are tested for impairment in accordance with the Group's accounting policy on impairment. Rental income from operating leases, less the aggregate cost of incentives given to the lessee, is recognised as income in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in profit or loss on a straight-line basis over the lease term.

25. Employee benefits

The Company and the Group contribute towards the state pension in accordance with local legislation. The only obligation is to make the required contributions. Costs are expensed in the period in which they are incurred.

26. Current tax

Current tax is charged or credited to profit or loss except when it relates to items recognised in other comprehensive income or directly in equity. The charge/credit for current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed and it further excludes items which are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Notes to the financial statements

1. Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1, unless further described below.

(a) Fair valuation of investment properties

The determination of the fair value of investment properties at the end of the reporting period requires the use of significant management estimates.

Fair valuation of Baronial Castle in Italy

The Group's investment property includes a Baronial Castle situated outside of Rome. Given the specialised nature of this property the uncertainties in the estimation of its fair value are inherently more significant than for the remaining portfolio of investment property.

Details of the valuation methodology and key assumptions of investment property classified as Level 3 are disclosed in Note 14 to the financial statements.

(b) Value of in-force business

The value of in-force business is a projection of future Shareholders' profit expected from insurance policies in force at the year-end, appropriately discounted and adjusted for the effect of taxation. This valuation requires the use of assumptions relating to future mortality, persistence, levels of expenses and investment returns over the longer term (see accounting policy 3(b)). Details of key assumptions and sensitivity for this intangible asset are provided in Note 11 to the financial statements.

(c) Technical provisions

The Group's technical provisions at year-end are determined in accordance with accounting policy 13. Details of key assumptions and sensitivities to the valuation are disclosed in Note 17 to the financial statements.

1. Critical accounting estimates and judgements (continued)

(d) Recognition of deferred tax asset

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available against which these deferred tax assets can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised and unrecognised deferred tax assets is disclosed in Note 12.

2. Management of insurance and financial risk

The Group holds or issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Group manages them. The Group's risk management strategy has remained unchanged from the prior year.

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount and timing of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risk accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk and geographical location.

(a) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or wide spread changes in lifestyle, resulting in earlier or more claims than expected.

At present, these risks do not vary significantly in relation to the location of the risk insured by the Group. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. Investment contracts with DPF ("Discretionary participation feature") carry negligible insurance risk.

The Group manages these risks through its underwriting strategy and reinsurance agreements. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. Medical selection is also included in the Group's underwriting procedures with premiums varied to reflect the health condition and lifestyle of the applicants.

2. **Management of insurance and financial risk** (continued)

Insurance risk (continued)

(a) Frequency and severity of claims (continued)

The Group has retention limits on any single life assured for term business or risk premium business. The Group reinsures the excess of the insured benefits over approved retention limits under a treaty reinsurance arrangement. Facultative reinsurance is selectively sought for non-standard risks that are not covered by the treaty reinsurance arrangement where the Group has decided to accept the insurance risk. Short term insurance contracts are also protected through a combination of selective quota share and surplus reinsurance. Further, the Group has a “CAT XL” reinsurance arrangement to cover its exposure in the case of an event affecting more than three lives.

In general, all large sums assured are facultatively reinsured on terms that substantially limit the Group’s maximum net exposure. The Directors consider that all other business is adequately protected through treaty reinsurance with a reasonable spread of benefits payable according to the age of the insured, and the size of the sum assured. The Group is largely exposed to insurance risk in one geographical area, Malta. Single event exposure is capped through the “CAT XL” reinsurance arrangement as referred above.

(b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long term changes in overall levels of mortality and the variability in contract holder behaviour. The Group uses appropriate base tables of standard mortality according to the type of contract being written. The Group does not take credit for future lapses in determining the liability for long term contracts in accordance with the insurance rules regulating its calculation.

Financial risk

The Group is exposed to financial risk through its financial assets and liabilities, reinsurance assets, and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts with DPF. The Group is also exposed to significant liquidity risk in relation to obligations arising on the bonds issued in 2006. The most important components of financial risk are market risk (including currency risk, cash flow, fair value interest rate risk and price risk), credit risk and liquidity risk.

These risks partly arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group manages these positions through adherence to an investment policy. The policy adopted is modelled to take into account actuarial recommendations, and is developed to achieve long term investment returns in excess of its obligations under insurance and investment contracts with DPF. The principal technique underlying the Group’s framework is to broadly match assets to the liabilities arising from insurance and investment contracts with DPF by reference to the type of benefits payable to contract holders, and the recommended portfolio mix as advised by the approved actuary.

The Group’s investment policy is formally approved by the Board of Directors. Portfolio review processes and investment decisions are generally delegated to a dedicated Sub-Investment Committee or the Chief Executive Officer. Transactions in excess of pre-established parameters are subject to Board approval. The procedures consider, inter alia, a recommended portfolio structure, authorisation parameters, asset and counterparty limits and currency restrictions. Management reports to the Investment Committee on a regular basis. The Committee meets to consider, inter alia, investment prospects, liquidity, the performance of the portfolio and the overall framework of the Group’s investment strategy. Solvency considerations as regulated by the relevant Authority are also taken into account as appropriate.

2. Management of insurance and financial risk (continued)

Financial risk (continued)

Market risk

(a) Cash flow and fair value interest rate risk

The Group and the Company are exposed to the risk of fluctuating market interest rate. Assets/liabilities with variable rates expose the Group and the Company to cash flow interest risk. Assets/liabilities with fixed rates expose the Group and the Company to fair value interest rate risk to the extent that they are measured at fair value.

The total assets and liabilities subject to interest rate risk are the following:

	Group		**Company**	
	2015	2014	**2015**	2014
	€	€	**€**	€
Assets attributable to policyholders				
Assets at floating interest rates	**4,717,928**	1,231,429	**-**	-
Assets at fixed interest rates	**26,352,211**	24,147,051	-	-
	31,070,139	25,378,480	**-**	-
Assets attributable to shareholders				
Assets at floating interest rates	**668,073**	1,339,738	**38,225**	48,018
Assets at fixed interest rates	**1,144,048**	789,740	**20,800**	-
	1,812,121	2,129,478	**59,025**	48,018
	32,882,260	27,507,958	**59,025**	48,018
Liabilities				
Technical provisions	**66,858,186**	62,597,486	**-**	-
	66,858,186	62,597,486	**-**	-

As disclosed in Note 23 the Company issued a bond having a remaining nominal value of €13,823,200 (2014 - €14,099,000) as at year end at a fixed rate of interest. This exposure does not give rise to fair value interest rate risk since the bond is carried at amortised cost in the financial statements.

Interest rate risk is monitored by the Board on an ongoing basis. This risk is mitigated through the distribution of fixed interest investments over a range of maturity dates, and the definition of an investment policy as described earlier, which limits the amount of investment in any one interest earning asset or towards any one counterparty. Management monitors the movement in interest rates and, where possible, reacts to material movements in such rates by adjusting or restructuring its investment or financing structure and by maintaining an appropriate mix between fixed and floating rate instruments. As at the end of the reporting period, the Directors considered that no hedging arrangements were necessary to address interest rate risk.

Insurance and investment contracts with DPF have benefit payments that are fixed and guaranteed at the inception of the contract (for example, sum assured), or as bonuses are declared. The financial component of these benefits is usually a guaranteed fixed interest rate set at the inception of the contract, or the supplemental benefits payable. The Group's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities are insufficient to fund the guaranteed benefits payable.

2. Management of insurance and financial risk (continued)

Financial risk (continued)

Market risk (continued)

(a) Cash flow and fair value interest rate risk (continued)

The supplemental benefits payable to holders of such contracts are based substantially on historic and current rates of return on fixed income securities held as well as the Group's expectations for future investment returns. The impact of interest rate risk is mitigated by the presence of the DPF. Guaranteed benefits increase as supplemental benefits are declared and allocated to contract holders.

All insurance and investment contracts with a DPF feature can be surrendered before maturity for a cash surrender value specified in the contractual terms and conditions. This surrender value is either lower than or at least equal to the carrying amount of the contract liabilities as a result of the application of surrender penalties set out in the contracts. The Group is not required to, and does not, measure this embedded derivative at fair value.

The sensitivity for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The Group's interest rate risk arises primarily on fixed-income and floating rate financial assets held to cover policyholder liabilities. Interest-bearing assets or liabilities attributable to the shareholders are not significant, or they mainly mature in the short term, and as a result the Group's income and operating cash flows are substantially independent of changes in market interest rates in this regard. An indication of the sensitivity of insurance results to a variation of investment return on policyholders' assets is provided in Note 11 to the financial statements in relation to the value of in-force business. Further sensitivity to investment return variations in relation to technical provisions is provided in Note 17 to the financial statements. Should the carrying amounts of assets at fixed interest rates at the end of the reporting period increase/decrease by 10%, with all other variables held constant, the impact on the Group's pre-tax profit would be +/- €2,750,000 in 2015 (2014 - +/-€2,494,000).

The table below analyse debt securities classified at fair value through profit or loss by sector:

	Group		**Company**	
	2015	2014	**2015**	2014
	€	€	**€**	€
Banks	**4,998,202**	4,507,559	**-**	-
Energy	**2,485,035**	2,629,250	**-**	-
Government	**18,074,682**	16,529,148	**20,800**	-
Other	**1,938,340**	1,270,834	**-**	-
	27,496,259	24,936,791	**20,800**	-

(b) Price risk

The Group and the Company are exposed to market price risk arising from the uncertainty about the future prices of investments held that are classified in the statement of financial position as at fair value through profit or loss or as available for sale. This risk is mitigated through the adherence to an investment policy geared towards diversification as described earlier. The Group is exposed to price risk in respect of listed equity investment. Approximately 55% of equity securities held at fair value through profit or loss in Note 16 were held with three local banks (2014 – 57%).

2. Management of insurance and financial risk (continued)

Financial risk (continued)

Market risk (continued)

(b) Price risk (continued)

The total assets subject to equity price risk are the following:

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Assets attributable to policyholders	**16,285,924**	13,339,449	**-**	-

The sensitivity analysis for price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether these changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market.

The sensitivity analysis measures the change in the fair value of the instruments for a hypothetical change of 10% in the market price of financial assets at fair value through profit or loss. The amounts generated from the sensitivity analysis are forward-looking estimates of market risk assuming certain market conditions. Actual results in the future may differ materially from those projected results due to the inherent uncertainty of global financial markets. Should market prices at the end of the reporting period increase/decrease by 10%, with all other variables held constant, the impact on the Group's pre-tax profit would be +/- €1,624,000 in 2015 (2014 - +/-€1,204,000). This sensitivity analysis is based on a change in an assumption while holding all assumptions constant and does not consider, for example, the mitigating impact of the DPF element on policyholder liabilities for contracts with a DPF.

(c) Currency risk

The Group's and the Company's exposure to foreign exchange risk arises primarily from investments that are denominated in currencies other than the Euro. As at 31 December 2015, the Group's exposure to foreign currency investments (principally comprising a mix of US Dollar and UK Pound) represented 4% of the Group's total investments in Note 16 (2014 - 7%).

17% (2014 - 6%) of the Group's cash and cash equivalents, at 31 December 2015, are denominated in foreign currency (principally comprising a mix of US Dollar and UK Pound).

The risk arising from foreign currency transactions is managed by regular monitoring of the relevant exchange rates and management's reaction to material movements thereto. In addition, currency exposure is regulated by the Regulations underlying the Insurance Business Act (Cap. 403), in so far as life assurance business is concerned.

For financial instruments held, a sensitivity analysis technique that measures the change in the fair value and the cash flows of the Group's financial instruments at the reporting date for hypothetical changes in exchange rates has been used. The amounts generated from the sensitivity analysis are forward-looking estimates of market risk assuming certain market conditions. Actual results in the future may differ materially from those projected results due to the inherent uncertainty of global financial markets. The sensitivity analysis is for illustrative purposes only, as in practice market rates rarely change in isolation and are likely to be interdependent.

Should exchange rates at the end of the reporting period differ by +/-10%, with all other variables held constant, the impact on the Group's pre-tax profit would be +/-€309,000 in 2015 (2014 - +/-€382,000).

2. Management of insurance and financial risk (continued)

Financial risk (continued)

Credit risk

The Group and the Company have exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Financial assets that potentially subject the Group to concentrations of credit risk consist principally of:

- investments (including counterparty risk);
- reinsurers' share of technical provisions;
- trade and other receivables; and
- cash and cash equivalents.

The Company is exposed to credit risk as at the financial year-end in respect of amounts due from subsidiary undertakings and cash at bank balances, which are placed with reliable financial institutions.

The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties. Limits on the level of credit risk by category are defined within the Group's investment policy as described earlier. This policy also considers regulatory restrictions on asset and counterparty exposures. Further detail on the content of the Group's investment portfolio is provided in Note 16 to these financial statements.

Credit risk in respect of trade and other receivables is not deemed to be significant after considering the range of underlying debtors, and their creditworthiness. Receivables are stated net of impairment. Further detail in this regard is provided in Note 19 to the financial statements.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for payment to the policyholder. The creditworthiness of reinsurers is considered on an ongoing basis and by reviewing their financial strength prior to finalisation of any contract. The Group's reinsurer retained its Standard and Poor's rating of AA- as at 31 December 2015 (2014 – AA-).

The credit risk in respect of cash at bank is mitigated by placing such balances with reliable financial institutions.

Credit risk in respect of the amounts due from subsidiary undertakings to the Company is closely monitored by the Company and is tested for impairment as disclosed in Note 15.

The following table illustrates the assets that expose the Group to credit risk as at the end of the reporting period and includes the Bloomberg's composite rating for debt securities at fair value through profit or loss, when available, and the Fitch long term issuer default rating for deposits with banks and cash and cash equivalents, when available.

2. Management of insurance and financial risk (continued)

Financial risk (continued)

Credit risk (continued)

Assets bearing credit risk at the end of the reporting period are analysed as follows:

As at 31 December 2015

	AAA to AA €	A+ to A €	A- €	BBB+ to B- €	Unrated €	Total €
Investments						
Debt securities at fair value through profit or loss	581,711	1,123,543	-	23,276,685	2,514,327	27,496,266
Debt securities held-to-maturity	-	485,993	-	6,661,676	181,262	7,328,931
	581,711	1,609,536	-	29,938,361	2,695,589	34,825,197
Loans and receivables						
Loans secured on policies	-	-	-	-	151,328	151,328
Trade and other receivables	-	-	-	-	2,555,144	2,555,144
Cash and cash equivalents	-	857,230	-	4,344,885	238,536	5,440,651
	-	857,230	-	4,344,885	2,945,008	8,147,123
Reinsurance share of technical provisions	3,612,349	-	-	-	-	3,612,349
Total assets bearing credit risk	**4,194,060**	**2,466,766**	**-**	**34,283,246**	**5,640,597**	**46,584,669**

As at 31 December 2014

	AAA to AA €	A+ to A €	A- €	BBB+ to B- €	Unrated €	Total €
Investments						
Debt securities at fair value through profit or loss	603,487	2,329,635	-	21,044,016	2,122,890	26,100,028
Debt securities held-to-maturity	-	2,243,079	-	5,307,402	521,203	8,071,684
	603,487	4,572,714	-	26,351,418	2,644,093	34,171,712
Loans and receivables						
Loans secured on policies	-	-	-	-	145,501	145,501
Term deposits held for investment purposes	-	-	-	1,000,000	-	1,000,000
Trade and other receivables	-	-	-	-	1,991,047	1,991,047
Cash and cash equivalents	1,275,050	-	-	1,079,900	216,217	2,571,167
	1,275,050	-	-	2,079,900	2,352,765	5,707,715
Reinsurance share of technical provisions	2,326,819	-	-	-	-	2,326,819
Total assets bearing credit risk	4,205,356	4,572,714	-	28,431,318	4,996,858	42,206,246

2. Management of insurance and financial risk (continued)

Financial risk (continued)

Credit risk (continued)

Unrated financial assets principally comprise locally traded bonds on the Malta Stock Exchange, receivables and certain deposits with local bank institutions for which no credit rating is available.

As at 31 December 2015 and 2014 the Group had significant exposure with the Government of Malta through investments in debt securities. In 2015 these were equivalent to 42% (2014 - 41%) of the Group's total investments.

Liquidity risk

Liquidity is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Group adopts a prudent liquidity risk management approach by maintaining a sufficient proportion of its assets in cash and marketable securities through the availability of an adequate amount of committed credit facilities and the ability to close out market positions. Senior management is updated on a regular basis on the cash position of the Group illustrating, inter alia, actual cash balance net of operational commitments falling due in the short term as well as investment commitments falling due in the medium and long term. Plans of the Group's anticipated funding are further detailed in Note 1.

The Group is exposed to daily calls on its available cash resources in order to meet its obligations, including claims arising from contracts in issue by the Group. Other financial liabilities which expose the Group and the Company to liquidity risk mainly comprise the borrowings disclosed in Note 23 and trade and other payables disclosed in Note 24.

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period between the end of the reporting period and the maturity date. The expected cash outflows for insurance and investment contracts do not consider the impact of early surrenders. Expected cash outflows on unit linked liabilities have been excluded since they are matched by expected inflows on backing assets.

2. **Management of insurance and financial risk** (continued)

Financial risk (continued)

Liquidity risk (continued)

Group

As at 31 December 2015	**Contracted undiscounted cash outflows**					
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €	Carrying amount €
Borrowings						
5.6% bonds 2014/2016	14,612,744	-	-	-	14,612,744	14,267,635
Trade and other payables	5,211,363	-	-	-	5,211,363	5,211,363
	19,824,107	**-**	**-**	**-**	**19,824,107**	**19,478,998**

	Expected undiscounted cash outflows					
	Less than five years €	Between five and ten years €	Between ten and twenty years €	Over twenty years €	Total €	Carrying amount €
Technical provisions	**18,380,120**	**10,750,745**	**22,133,675**	**19,800,783**	**71,065,323**	**71,065,323**

As at 31 December 2014	**Contracted undiscounted cash outflows**					
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €	Carrying amount €
Borrowings						
5.6% bonds 2014/2016	789,544	14,888,544	-	-	15,678,088	14,497,720
Trade and other payables	3,921,051	-	-	-	3,921,051	3,921,051
	4,710,595	14,888,544	-	-	19,599,139	18,418,771

2. Management of insurance and financial risk (continued)

Financial risk (continued)

Liquidity risk (continued)

	Expected undiscounted cash outflows					
	Less than five years €	Between five and ten years €	Between ten and twenty years €	Over twenty years €	Total €	Carrying amount €
Technical provisions	18,292,492	8,201,032	21,039,682	18,266,338	65,808,544	65,808,544

Company

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on the remaining period between the end of the reporting period and the maturity date.

As at 31 December 2015	**Contracted undiscounted cash outflows**					
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €	Carrying amount €
Borrowings						
5.6% bonds 2014/2016	14,612,744	-	-	-	14,612,744	14,267,635
Trade and other payables	3,219,322	-	-	-	3,219,322	3,219,322
	17,832,066	**-**	**-**	**-**	**17,832,066**	**17,486,957**

As at 31 December 2014	**Contracted undiscounted cash outflows**					
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €	Carrying amount €
Borrowings						
5.6% bonds 2014/2016	789,544	14,888,544	-	-	15,678,088	14,497,720
Trade and other payables	1,579,517	-	-	-	1,579,517	1,579,517
	2,369,061	14,888,544	-	-	17,257,605	16,077,237

3. Segmental analysis

The following is an analysis of the Group's revenue and result by reportable segment, assets, liabilities and other information for 2015.

	Investment and advisory services €	Business of insurance €	Agency and brokerage services €	Property services €	Other €	Eliminations €	Group €
Year ended 31 December 2015							
Segment income							
Earned premiums, net of reinsurance	-	8,477,170	-	-	-	-	8,477,170
Commission and other fees receivable	868,457	-	1,699,842	-	-	-	2,568,299
Investment income	805	5,103,665	32,596	56,429	35,076	(96,016)	5,132,555
Net gains on investments at fair value through profit and loss	-	4,092,325	41,738	1,685	2,727	-	4,138,475
Net gains on investment property	-	3,454,271	-	-	-	-	3,454,271
Total revenue	**869,262**	**21,127,431**	**1,774,176**	**58,114**	**37,803**	**(96,016)**	**23,770,770**
Revenue from external customers	850,989	9,346,664	1,649,790	-	-	-	11,847,443
Intersegment revenues	7,839	28,482	(5,815)	56,429	34,004	-	120,939
Segment expenses							
Net claims incurred	-	(9,326,743)	-	-	-	-	(9,326,743)
Net change in technical provisions	-	(2,966,055)	-	-	-	-	(2,966,055)
Net operating expenses	(756,003)	(1,995,359)	(1,043,294)	(264,822)	(804,168)	96,016	(4,767,630)
Unrealised losses on investment property	-	-	-	(260,693)	-	-	(260,693)
Investment expenses	(18,113)	(49,781)	-	(14)	(658)	-	(68,566)
Total expenses	**(774,116)**	**(14,337,938)**	**(1,043,294)**	**(525,529)**	**(804,826)**	**96,016**	**(17,389,687)**

3. Segmental analysis (continued)

	Investment and advisory services €	Business of insurance €	Agency and brokerage services €	Property services €	Other €	Eliminations €	Group €
Year ended 31 December 2015							
Segment profit/(loss)	**95,146**	**6,789,493**	**730,882**	**(467,415)**	**(767,023)**	**-**	**6,381,083**
Unallocated items							
Finance costs	-	-	-	-	-	-	(774,578)
Total unallocated items	-	-	-	-	-	-	(774,578)
Group profit							5,606,505
Tax expense							(1,481,762)
Profit after tax							4,124,743
Segment assets	(431,092)	(91,498,470)	(436,623)	(7,224,347)	(16,328,684)	28,298,780	(87,620,436)
Unallocated assets							(13,414,500)
							(101,034,936)
Segment liabilities	232,886	73,392,806	78,286	165,545	1,443,003	(10,185,560)	65,126,966
Unallocated liabilities							28,547,881
							93,674,847
Other segment items							
Capital expenditure	-	135,831	-	-	4,666		
Amortisation	-	-	-	-	49,197		
Depreciation	551	263,431	109	-	21,329		

3 Segmental analysis (continued)

The following is an analysis of the Group's revenue and result by reportable segment, assets, liabilities and other information for 2014.

	Investment and advisory services €	Business of insurance €	Agency and brokerage services €	Property services €	Other €	Eliminations €	Group €
Year ended 31 December 2014							
Segment income							
Earned premiums, net of reinsurance	-	7,585,567	-	-	-	-	7,585,567
Commission and other fees receivable	962,130	-	1,762,290	-	-	-	2,724,420
Investment income	54,923	4,131,485	24,683	94,743	305,227	(1,014,598)	3,596,463
Net gains on investments at fair value through profit and loss	-	1,593,462	87,990	-	-	-	1,681,452
Net gains on investment property	-	376,093	-	-	-	-	376,093
Total revenue	**1,017,053**	**13,686,607**	**1,874,963**	**94,743**	**305,227**	**(1,014,598)**	**15,963,995**
Revenue from external customers	886,424	8,219,126	1,550,679	94,743	-	-	10,750,972
Intersegment revenues	117,437	1,365,907	5,780	-	147,728	-	1,636,315
Segment expenses							
Net claims incurred	-	8,222,777	-	-	-	-	8,222,777
Net change in technical provisions	-	(213,759)	-	-	-	-	(213,759)
Net operating expenses	1,371,422	2,098,008	1,151,587	344,953	796,319	(144,076)	5,618,213
Net losses on investments at fair value through profit and loss	89,424	-	-	-	49,069	-	138,493
Net losses on investment property	-	-	-	335,829	-	-	335,829
Investment expenses	23,216	110,785	38	308,428	5,187	(308,554)	139,100
Total expenses	**1,484,062**	**10,217,811**	**1,151,625**	**989,210**	**850,575**	**(452,630)**	**14,240,653**

3. Segmental analysis (continued)

	Investment and advisory services €	Business of insurance €	Agency and brokerage services €	Property services €	Other €	Eliminations €	Group €
Year ended 31 December 2014							
Segment profit/(loss)	**(467,009)**	**3,468,796**	**723,338**	**(894,467)**	**(545,348)**	**(561,968)**	**1,723,342**
Unallocated items							
Finance costs	-	-	-	-	-	-	(912,191)
Total unallocated items	-	-	-	-	-	-	(912,191)
Group profit							811,151
Tax expense							(588,480)
Profit after tax							222,671
Segment assets	274,269	79,169,007	1,631,247	7,516,604	16,574,938	(26,978,373)	78,187,692
Unallocated assets							11,308,689
							89,496,381
Segment liabilities	172,373	68,538,570	149,483	53,659	1,082,855	(9,609,874)	60,387,066
Unallocated liabilities							25,946,768
							86,333,834
Other segment items							
Capital expenditure	-	1,000,742	-	-	-		
Amortisation	-	12,742	-	-	49,197		
Depreciation	550	279,401	109	-	21,005		

3. Segmental analysis (continued)

The Group's reportable segments under IFRS 8 are identified as follows:

- Investment and advisory services – the provision of services in terms of the Investment Services Act (Cap. 370);
- Business of insurance - to carry on long term business of insurance under the Insurance Business Act (Cap. 403);
- Agency and brokerage services - provision of agency or brokerage services for health or other general insurance in terms of the Insurance Intermediaries Act (Cap. 487) and money broking and trading in foreign exchange in terms of the Financial Institutions Act (Cap. 387);
- Property services – to handle property acquisitions, disposals and development projects both long and short term; and
- Other.

The other operating segment includes corporate expenses and other activities which are not reportable segments due to their immateriality. Certain expenses, finance costs and taxes are not allocated across the segments.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit or loss represents the results generated by each segment without the allocation of certain finance costs, impairment of goodwill and taxation. This is the measure reported to the Group's chief executive officer for the purpose of resource allocation and assessment of segment performance.

All the Group's turnover is primarily generated in and from Malta. The above turnover includes inter segment revenues amounting to €120,939 (2014 - €1,636,315).

Segment assets consist primarily of investments, receivables, intangible assets, property, plant and equipment and operating cash. Segment liabilities comprise insurance technical provisions and other operating liabilities. Capital expenditure comprises additions to computer software and to property, plant and equipment. Unallocated assets comprise investments that are not allocated to policyholders, taxation and intra group receivables. Unallocated liabilities mainly comprise borrowings, taxation and intra group payables.

All non-current assets (other than financial instruments, deferred tax assets and rights under insurance contracts) are held in Malta with the exception of investment property located in Italy amounting to €5,500,000 (2014 - €5,500,000) and other countries amounting to €672,000 (2014 - €1,106,629).

4. Expenses by nature

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Staff cost	**1,468,944**	1,524,704	**-**	-
Commission and direct marketing costs	**935,883**	601,415	**-**	-
Amortisation of computer software	**3,380**	16,127	**3,380**	3,385
Depreciation of property, plant and machinery	**285,869**	301,065	**21,779**	21,005
Operating lease rentals payable	**89,428**	23,766	**-**	-
Other provisions	**116,587**	275,875	**-**	-
Impairment of intercompany receivables	**-**	-	**-**	206,965
Other expenses	**2,154,133**	2,920,829	**728,010**	719,004
	5,054,224	5,663,781	**753,169**	950,359
Allocated as follows:				
Long term business technical account				
- claims related expenses	**106,740**	121,902	**-**	-
- staff costs	**519,680**	353,837	**-**	-
- net operating expenses	**1,441,489**	1,737,570	**-**	-
Non-technical account				
- staff costs	**949,264**	1,170,867	**-**	-
- commission and direct marketing costs	**147,059**	145,333	**-**	-
- other provisions	**116,587**	275,875	**-**	-
- impairment of intercompany receivables	**-**	-	**-**	206,965
- other administrative expenses	**1,773,405**	1,858,397	**753,169**	743,394
	5,054,224	5,663,781	**753,169**	950,359

Actuarial valuation fees for the current financial year amounted to €94,071 (2014 - €114,220) for the Group.

Auditor’s remuneration for the current financial year amounted to €96,750 (2014 - €96,750) for the Group and €46,500 (2014 - €46,500) for the Company. Other fees payable to the auditor comprise €13,000 (2014 - €9,000) for other assurance services, €10,675 (2014 - €10,030) for tax advisory service and €13,000 (2014 - €3,500) for other non-audit services.

Other provisions for the year under review represent the best estimate of the expected outflow of resources to settle a present obligation resulting from outstanding court cases against the Group.

5. Staff costs

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Staff costs:				
Wages and salaries	**1,360,908**	1,416,668	**1,360,908**	1,416,668
Social security costs	**108,036**	108,036	**108,036**	108,036
	1,468,944	1,524,704	**1,468,944**	1,524,704
Recharged to group undertakings	**-**	-	**(1,468,944)**	(1,524,704)
	1,468,944	1,524,704	**-**	-

The average number of persons employed by both the Group and the Company during the year are analysed below:

	2015	2014
	Number	Number
Managerial	**13**	12
Sales	**3**	4
Administrative	**41**	51
	57	67

The table above represents salaried staff and does not include self-employed Tied Insurance Intermediaries.

6. Investment return and finance costs

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Investment income				
Rental income from investment property	**891,163**	492,169	**-**	-
Dividends received from investments at fair value through profit or loss	**644,643**	303,972	**-**	56,152
Dividends received from available-for-sale investments	**42,450**	55,805	**-**	-
Interest receivable from				
- investments at fair value through profit or loss	**1,202,168**	1,318,109	**-**	-
- held-to-maturity investments	**355,805**	295,816	**-**	-
- group undertakings	**-**	-	**-**	253,209
- other loans and receivables	**22,622**	82,117	**1,103**	1,683
Net exchange gains	**71,880**	84,204	**-**	16,797
Net gains on investment property	**3,193,578**	53,003	**-**	-
Gain on sale of property held for development	**16,145**	-	**-**	-
Net gains on financial investments at fair value through profit or loss	**5,004,595**	1,491,174	**485**	-
Gain on buy-back of interest-bearing borrowings	**72**	93,646	**72**	93,646
Other income	**49,418**	9,730	**-**	-
	11,494,539	4,279,745	**1,660**	421,487
Investment charges and expenses				
Net losses on financial investments at fair value through profit or loss	**940,967**	-	**-**	49,069
Net losses on investment property	**-**	12,739	**-**	-
Net fair value losses on stock property	**-**	68,611	**-**	-
Investment management charges	**25,078**	72,932	**730**	15,995
Net exchange losses	**-**	-	**31**	-
Interest payable on:				
- Group undertakings	**-**	-	-	99,492
- Interest-bearing borrowings	**756,644**	934,315	**774,578**	912,191
Amortisation charge on held-to-maturity investments	**17,401**	19,349	**-**	-
Amortisation of bond issue costs	**49,197**	49,197	**49,197**	49,197
	1,789,287	1,157,143	**824,536**	1,125,944
Total investment return/(loss)	**9,705,252**	3,122,602	**(822,876)**	(704,457)
Allocated as follows:				
Long term business technical account	**5,977,625**	3,512,990	**-**	-
Statement of comprehensive income	**3,727,627**	(390,388)	**(822,876)**	(704,457)
	9,705,252	3,122,602	**(822,876)**	(704,457)

7. Income tax

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Current tax charge/(credit)	**21,469**	(58,125)	**-**	(975)
Deferred tax expense/(credit)	**985,908**	432,766	**(17,219)**	(17,219)
Tax relating to value of in-force business	**474,385**	213,839	**-**	-
Tax charge/(credit)	**1,481,762**	588,480	**(17,219)**	(18,194)

Income tax recognised in other comprehensive income is as follows:

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Deferred tax				
Arising on income and expenses recognised in other comprehensive income:				
Revaluations of available-for-sale financial assets	**39,345**	98,749	**-**	-

The tax on the Group's and the Company's profit/(loss) before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Profit/(loss) before tax	**5,606,505**	811,151	**(1,576,045)**	(1,654,816)
Tax on profit/(loss) at 35%	**1,962,277**	283,903	**(551,616)**	(579,186)
Tax effect of:				
Non - deductible expenditure	**713,046**	957,245	**552,161**	496,399
Impairment of intercompany receivables	**-**	-	**-**	72,438
Exempt income and income subject to a reduced rate of tax	**(23,530)**	(93,905)	**-**	-
Deferred tax asset not recognised	**(93,400)**	112,783	**-**	-
Effect of deferred tax asset not recognised in prior years	**-**	(540,994)	**-**	-
Effect of fair value movement on investment property	**(1,141,064)**	-	**-**	-
Other differences	**64,433**	(130,552)	**(17,764)**	(7,845)
Tax expense/(income)	**1,481,762**	588,480	**(17,219)**	(18,194)

8. Directors' emoluments

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Fees	**186,087**	315,930	**186,087**	315,930
Salaries	**34,074**	5,000	**34,074**	5,000
	220,161	320,930	**220,161**	320,930
Recharged to group undertakings	**-**	-	**(97,324)**	(73,906)
	220,161	320,930	**122,837**	247,024

The directors are entitled to participate in a health insurance scheme subsidised by the Group.

The above information for the Company for 2015 and 2014 includes salaries and emoluments amounting to €97,324 (2014 - €73,906) that were recharged to group undertakings.

The charge for professional indemnity insurance acquired on behalf of the Directors and Officers of the Group amounted to €86,847 (2014 - €94,883). These amounts are included with professional fees.

9. Profit per share

Profit per share is based on the net profit for the year divided by the weighted average number of ordinary shares in issue during the year.

	Group	
	2015	2014
	€	€
Net profit attributable to shareholders	**4,124,743**	222,671
Weighted average number of ordinary shares in issue	**13,207,548**	13,207,548
Earnings per share (cents)	**31c2**	1c7

There is no difference between basic and diluted earnings per share as the Company has no potential dilutive ordinary shares.

10. Dividends

The Directors do not recommend the payment of a dividend for 2015 as the Company had no distributable reserves at the end of the reporting period. No dividend was paid in 2014.

11. Intangible assets

Group

	Goodwill €	Value of in-force business €	Computer Software €	Total €
At 1 January 2014				
Cost or valuation	311,541	3,742,871	1,524,939	5,579,351
Accumulated amortisation	-	-	(546,572)	(546,572)
Carrying amount	311,541	3,742,871	978,367	5,032,779
Year ended 31 December 2014				
Opening carrying amount	311,541	3,742,871	978,367	5,032,779
Additions	-	-	819,873	819,873
Increment in value in force business	-	397,129	-	397,129
Amortisation charge	-	-	(16,127)	(16,127)
Closing carrying amount	311,541	4,140,000	1,782,113	6,233,654
At 1 January 2015				
Cost or valuation	311,541	4,140,000	2,344,812	6,796,353
Accumulated amortisation	-	-	(562,699)	(562,699)
Carrying amount	311,541	4,140,000	1,782,113	6,233,654
Year ended 31 December 2015				
Opening carrying amount	311,541	4,140,000	1,782,113	6,233,654
Additions	-	-	51,456	51,456
Increment in value in force business	-	881,000	-	881,000
Amortisation charge	-	-	(3,380)	(3,380)
Closing carrying amount	311,541	5,021,000	1,830,189	7,162,730
At 31 December 2015				
Cost or valuation	311,541	5,021,000	2,396,268	7,728,809
Accumulated amortisation	-	-	(566,079)	(566,079)
Carrying amount	**311,541**	**5,021,000**	**1,830,189**	**7,162,730**

Amortisation of computer software amounting to €3,380 (2014 - €16,127) is included in expenses by nature (Note 4). €1,827,900 of the carrying amount of computer software relates to an insurance software which was not yet available for use.

11. Intangible assets (continued)

Impairment tests for goodwill

The goodwill component at the end of the reporting period relates to the Group's health insurance agency that was acquired as a result of the merger by acquisition of the local operations of BAI Co (Mtius) Ltd in 2004. An impairment assessment was carried out in which the recoverable amount of the goodwill was determined based on its value in use. The value in use was determined by estimating the discounted future cash flows the Group expects to derive from this component over 10 years. Projected cash flows assumed an average growth rate of 8% per annum and were stressed by 50%. A discount rate of 8% and a capitalisation rate of 10% were applied to determine value in use. From such assessment there was no indication of impairment on the remaining goodwill.

Value of in-force business – assumptions, changes in assumptions and sensitivity

The value of in-force business ("VOIFB") represents the net present value of projected future transfers to Shareholders from policies in force at the year-end, after making provision for taxation. The value of in-force business is determined by the Directors on an annual basis, based on the advice of the approved actuary.

The assumption parameters of the valuation are based on a combination of the Group's experience and market data. Due to the long-term nature of the underlining business, the cash flow projection period for each policy is set to its maturity date. The valuation is based on a discount rate of 5.5% and a growth rate of 4.15% to 4.5% depending on the type of policy.

The valuation assumes a margin of 1.15% (2014 – 1.15%) between the weighted average projected investment return and the discount factor applied. The calculation also assumes lapse rates varying from 1% to 7.5%, and expenses are implicitly inflated.

Sensitivity of the main assumptions underlying the valuation is applied as follows:

- a 10% increase in the assumption for policy maintenance expenses reduces the VOIFB by €232,000 (2014 - €213,000);
- a decrease in the projected investment return by 10% reduces the VOIFB by €507,000 (2014 - €690,000); and
- an increase in the discount factor by 10% reduces the VOIFB by €167,000 (2014 - €218,000).

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant

11. Intangible assets (continued)

Company	**Computer Software €**
At 1 January 2014	
Cost	16,922
Accumulated amortisation	(7,864)
Carrying amount	9,058
Year ended 31 December 2014	
Opening carrying amount	9,058
Amortisation charge	(3,385)
Closing carrying amount	5,673
At 31 December 2014	
Cost	16,922
Accumulated amortisation	(11,249)
Carrying amount	5,673
Year ended 31 December 2015	
Opening carrying amount	5,673
Amortisation charge	(3,380)
Closing carrying amount	2,293
At 31 December 2015	
Cost	16,922
Accumulated amortisation	(14,629)
Carrying amount	**2,293**

12. Deferred tax

Deferred taxes are calculated on temporary differences under the balance sheet liability method using a principal tax rate ranging between 8% and 35% (2014 - 12% and 35%). In particular temporary differences on investment properties situated in Malta that have been owned by the Group since 1 January 2004 are calculated under the liability method using a principal tax rate of 8% of the carrying amount, while investment properties situated in Malta that had been acquired by the Group before 1 January 2004 are calculated under the liability method using a principal tax rate of 10% of the carrying amount. Deferred tax on temporary differences on investment properties situated outside Malta has been calculated based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off a current tax asset against a current tax liability and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

12. **Deferred tax** (continued)

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Deferred tax asset	**307**	413	**-**	-
Deferred tax liability	**(3,104,849)**	(2,079,702)	**(7,762)**	(24,981)
	(3,104,542)	(2,079,289)	**(7,762)**	(24,981)

The Directors consider that the above temporary differences are substantially non-current in nature.

The deferred tax asset has been recognised to the extent that realisation of the related tax benefit through future taxable income is probable. In making this assessment the Directors have taken into account projected taxable income based on approved budgets as well as the nature of the temporary differences giving rise to the deferred tax asset. As at 31 December 2015, the Group had deductible temporary differences of €154,652 (2014 – €433,758), unused tax credits of €647,426 (2014 – €1,031,965) and unused tax losses of €534,913 (2014 – €535,428) for which no deferred tax asset is recognised in the statement of financial position.

The movement on the deferred tax account is as follows:

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Year ended 31 December				
At beginning of year	**(2,079,289)**	(1,547,774)	**(24,981)**	(42,200)
(Credited)/charged to profit and loss account	**(985,908)**	(432,766)	**17,219**	17,219
Charged to other comprehensive income	**(39,345)**	(98,749)	**-**	-
At end of year	**(3,104,542)**	(2,079,289)	**(7,762)**	(24,981)

Deferred taxation at the year-end is in respect of the following temporary differences:

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Arising on:				
Accelerated tax depreciation	**206,858**	170,946	**-**	-
Unabsorbed tax credits	**1,248,567**	822,587	**-**	-
Capitalisation of bond issue costs	**(7,762)**	(24,981)	**(7,762)**	(24,981)
Fair value adjustments	**(4,552,205)**	(3,047,841)	**-**	-
	(3,104,542)	(2,079,289)	**(7,762)**	(24,981)

13. Property, plant and equipment

Group

	Land and buildings €	Office furniture, fittings and equipment €	Motor vehicles €	Total €
At 1 January 2014				
Cost	2,723,235	2,302,890	192,856	5,218,981
Accumulated depreciation	(289,016)	(1,621,343)	(192,856)	(2,103,215)
Carrying amount	2,434,219	681,547	-	3,115,766
Year ended 31 December 2014				
Opening carrying amount	2,434,219	681,547	-	3,115,766
Additions	1,850	5,109	-	6,959
Transferred to investment property	-	(112,463)	-	(112,463)
Depreciation charge	(26,746)	(274,319)	-	(301,065)
Closing carrying amount	2,409,323	299,874	-	2,709,197
At 1 January 2015				
Cost	2,725,085	2,195,536	192,856	5,113,477
Accumulated depreciation	(315,762)	(1,895,662)	(192,856)	(2,404,280)
Carrying amount	2,409,323	299,874	-	2,709,197
Year ended 31 December 2015				
Opening carrying amount	2,409,323	299,874	-	2,709,197
Additions	1,791	24,724	-	26,515
Depreciation charge	(27,088)	(258,782)	-	(285,870)
Closing carrying amount	2,384,026	65,816	-	2,449,842
At 31 December 2015				
Cost	2,726,876	2,220,260	192,856	5,139,992
Accumulated depreciation	(342,850)	(2,154,444)	(192,856)	(2,690,150)
Carrying amount	**2,384,026**	**65,816**	**-**	**2,449,842**

13. Property, plant and equipment (continued)

Company

	Office furniture, fittings and equipment €
At 1 January 2014	
Cost	105,027
Accumulated depreciation	(44,875)
Carrying amount	60,152
Year ended 31 December 2014	
Opening carrying amount	60,152
Depreciation charge	(21,005)
Closing carrying amount	39,147
At 31 December 2014	
Cost	105,027
Accumulated depreciation	(44,875)
Carrying amount	60,152
Year ended 31 December 2015	
Opening carrying amount	39,147
Additions	4,666
Depreciation charge	(21,779)
Closing carrying amount	22,034
At 31 December 2015	
Cost	109,693
Accumulated depreciation	(87,659)
Carrying amount	**22,034**

14. Investment property

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Year ended 31 December				
At beginning of year	**20,395,208**	20,319,662	**-**	-
Additions	**62,526**	173,910	**-**	-
Property reclassified from property, plant and equipment	**-**	112,463	**-**	-
Property reclassified as non-current asset held-for-sale	**(8,415,000)**	(156,429)	**-**	-
Net fair value gains	**3,194,274**	53,000	**-**	-
Disposals	**-**	(107,398)	**-**	-
At end of year	**15,237,008**	20,395,208	**-**	-
At 31 December				
Cost	**9,490,650**	17,843,124	**-**	-
Accumulated fair value gains	**5,746,358**	2,552,084	**-**	-
Net book amount	**15,237,008**	20,395,208	**-**	-

The additions to investment properties relate to refurbishment costs incurred on properties held by the Group. The Group has reclassified investment property which has a book value of €8,415,000 (2014 - €156,429) to non-current assets held-for-sale in the statement of financial position. These consist of four local properties, of which €950,000 relates to the property segment and €7,465,000 relates to the insurance segment. These are expected to be sold within 12 months from the date of classification as non-current assets held-for-sale.

Details about the Group's investment properties, including those classified as non-current assets held-for-sale, and information about the fair value hierarchy at 31 December 2015 and 2014 are as follows:

	Fair value measurement at end of the reporting period using:			
	Level 1	**Level 2**	**Level 3**	**Total**
	€	**€**	**€**	**€**
2015				
Investment property:				
Local property	-	-	9,065,008	9,065,008
Foreign property	-	-	6,172,000	6,172,000
Non-current assets held-for-sale:				
Local property	-	-	8,415,000	8,415,000
Total	**-**	**-**	**23,652,008**	**23,652,008**
2014				
Investment property:				
Local property	-	-	13,945,008	13,945,008
Foreign property	-	-	6,450,200	6,450,200
Non-current assets held-for-sale:				
Foreign property	-	-	156,429	156,429
Total	-	-	20,551,637	20,551,637

14. Investment property (continued)

In estimating the fair value of the properties, the highest and best use of the properties is their current use. In accordance with the Group's accounting policy, the valuation of investment properties is assessed by the Board of Directors at the end of every reporting period.

Fair value in relation to local properties which are leased out was computed by reference to rental income earned.

The fair value of foreign properties was determined by reference to an independent qualified valuer. The basis of valuation adopted by the independent qualified valuer is the ‘Open Market Value’ which gives an opinion of the best price at which the sale of the property would be completed unconditionally, for cash consideration, by a willing seller, assuming there had been a reasonable period for the proper marketing of the property, and for the agreement of the price and terms for the completion of the sale.

The table below includes further information about the Group’s Level 3 fair value measurements (excluding the Rome property):

	Significant unobservable input EUR	**Narrative sensitivity EUR**
2015		
Local properties	Rental value per square metre, ranging from EUR 178 to EUR 234	The higher the price per square metre, the higher the fair value
	Rent growth of 2% per annum	The higher the rent growth, the higher the fair value
	Discount rate of 6.9%	The higher the discount rate, the lower the fair value
Foreign property - Croatia	Value per square metre of €98	The higher the price per square metre, the higher the fair value

For the remaining properties for which a promise of sale was entered into after year end, the fair value was adjusted to reflect the sale proceeds net of selling costs.

The Group’s investment property portfolio also includes a property of an exceptional nature – a Baronial castle situated outside of Rome, which accounts for 5% (2014: 6%) of the Group’s total assets. The specialised nature of this property makes such an assessment particularly judgemental. A professional valuation of the property was obtained in September 2015 to provide the most probable market value of the asset on an ‘as is’ basis taking cognisance of the building’s physical condition, facilities and components. The valuation is based on an average value per square metre of €2,917, based on a sales comparison approach.

The values proposed by the various valuation experts over the last 7 years varied materiality from each other resulting in a wide range of possible estimates. This highlights the significance of the judgements involved in estimating the fair value of this property as well as the subjectivity of each valuation. The directors resolved to maintain the carrying value of this property towards the lower end of this range.

14. Investment property (continued)

Details about the Group's investment properties classified as Level 3 at 31 December 2015 and 2014 are as follows:

	Local property €	Foreign property €	Total €
Year ended 31 December 2015			
At beginning of year	13,945,008	6,450,200	20,395,208
Additions	62,526	-	62,526
Property reclassified to non-current assets held-for-sale	(8,415,000)	-	(8,415,000)
Fair value gains/(losses)	3,472,474	(278,200)	3,194,274
At end of year	**9,065,008**	**6,172,000**	**15,237,008**
Year ended 31 December 2014			
At beginning of year	13,645,007	6,674,655	20,319,662
Additions	173,910	-	173,910
Property reclassified from property plant and equipment	-	112,463	112,463
Property reclassified to non-current assets held-for-sale	-	(156,429)	(156,429)
Fair value gains/(losses)	126,091	(73,091)	53,000
Disposals	-	(107,398)	(107,398)
At end of year	13,945,008	6,450,200	20,395,208

15. Investment in group undertakings

	2015 €	2014 €
Opening cost and net book amount	**6,451,553**	6,451,553
Closing net book amount	**6,451,553**	6,451,553

During the period, the Company carried out a review of the recoverable amount of its investment in group undertakings in view of the losses incurred by group undertakings during the financial year.

The recoverable amount of the relevant asset has been determined by reference to either the fair value less costs to sell or the value in use of the group undertakings.

15. Investment in group undertakings (continued)

The principal group undertakings at 31 December are shown below:

Group undertakings	Registered office	Principal place of business	Class of shares held	Percentage of shares held 2015	2014
Brammer Limited	City of Sofia, Region of Mladost H.E. "Mladost" Bl. 434 Floor 5 App 114 Bulgaria	Bulgaria	Ordinary shares	**100%**	100%
Central Landmark Development Limited	Testaferrata Street, Ta' Xbiex Malta	Malta	Ordinary shares	**100%**	100%
Global Estates Limited	Testaferrata Street, Ta' Xbiex Malta	Malta	Ordinary 'A' shares	**100%**	100%
Global Properties Limited (Međunarodne Nekretnine d.o.o.)	26/A/3 Gunduliceva, Split Croatia	Croatia	Ordinary shares	**100%**	100%
GlobalCapital Financial * Management Limited	Testaferrata Street, Ta' Xbiex Malta	Malta	Ordinary shares	**100%**	100%
GlobalCapital Health * Insurance Agency Limited	Testaferrata Street, Ta' Xbiex Malta	Malta	Ordinary 'A' shares	**100%**	100%
GlobalCapital Holdings Limited	Testaferrata Street, Ta' Xbiex Malta	Malta	Ordinary shares	**100%**	100%
GlobalCapital Insurance * Brokers Limited	Testaferrata Street, Ta' Xbiex Malta	Malta	Ordinary shares	**100%**	100%
GlobalCapital Life * Insurance Limited	Testaferrata Street, Ta' Xbiex Malta	Malta	Ordinary shares	**100%**	100%
Quadrant Italia S.R.L.	Via Bruxelles 34 Cap 00100 Rome RM Italy	Italy	Ordinary shares	**100%**	100%

* The distribution of dividends by these subsidiary undertakings may be restricted by the solvency requirements of relevant legislation, mainly the Insurance Business Act (Cap. 403), the Insurance Intermediaries Act (Cap. 487) and the Investment Services Act (Cap. 370).

16. Other investments

The Group's and Company's other investments are summarised by measurement category in the table below:

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Fair value through profit and loss	**47,017,655**	41,417,176	**20,800**	-
Available-for-sale investments	**1,082,933**	1,303,110	**-**	-
Held-to-maturity investments	**7,328,931**	8,071,684	**-**	-
Loans and receivables	**151,328**	1,145,501	**2,108,458**	1,973,808
Total Investments	**55,580,847**	51,937,471	**2,129,258**	1,973,808

Included in the Group total investments are €4,318,398 of assets held to cover linked liabilities (2014 - €3,280,809). These relate to collective investment schemes which are classified as investments at fair value through profit or loss as described in accounting policy number 13.

(a) Investments at fair value through profit or loss

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Equity securities and collective investments schemes:				
- listed shares	**14,102,122**	10,669,586	**-**	-
- collective investment schemes	**5,419,267**	4,647,562	**-**	-
	19,521,389	15,317,148	**-**	-
Debt securities				
- listed	**27,496,266**	26,100,028	**20,800**	-
Total investments at fair value through profit or loss	**47,017,655**	41,417,176	**20,800**	-

16. Other investments (continued)

(a) Investments at fair value through profit or loss (continued)

Maturity of debt securities classified as fair value through profit or loss.

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Within 1 year	**508,550**	727,020	**-**	-
Between 1 and 2 years	**50,000**	1,498,550	**-**	-
Between 2 and 5 years	**8,041,042**	6,415,647	**-**	-
Over 5 years	**18,896,674**	17,458,811	**20,800**	-
	27,496,266	26,100,028	**20,800**	-
Weighted average effective interest rate at the balance sheet date	**5%**	5%	**3%**	-

There were no Group investments which were pledged in favour of third parties at the financial year-end (2014 - €165,606).

The movements in investments classified at fair value through profit or loss are summarised as follows:

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Year ended 31 December				
At beginning of year	**41,417,176**	36,815,511	**-**	2,590,605
Additions	**6,840,829**	9,364,033	**20,315**	-
Disposals (sale and redemption)	**(5,197,655)**	(7,901,012)	**-**	(3,817,297)
Net fair value gains	**3,957,305**	3,138,644	**485**	1,226,692
At end of year	**47,017,655**	41,417,176	**20,800**	-
At 31 December				
Cost	**39,471,752**	37,828,578	**20,315**	-
Accumulated fair value gains	**7,545,903**	3,588,598	**485**	-
Carrying amount	**47,017,655**	41,417,176	**20,800**	-

16. **Other investments** (continued)

(b) Held-to-maturity investments

	2015	2014
	€	€
Debt securities		
Government bonds	**5,211,045**	5,307,404
Listed corporate bonds	**2,117,886**	2,764,280
	7,328,931	8,071,684

Maturity of debt securities classified as held-to-maturity.

	2015	2014
	€	€
Within 1 year	**500,180**	726,678
Between 1 and 2 years	**610,570**	501,248
Between 2 and 5 years	**2,905,379**	1,317,055
Over 5 years	**3,312,802**	5,526,703
	7,328,931	8,071,684
Weighted average effective interest rate at the balance sheet date	**5%**	5%

The movements in investments classified as held-to-maturity are summarised as follows:

	2015	2014
	€	€
Year ended 31 December		
At beginning of year	**8,071,684**	8,091,077
Maturities	**(725,352)**	-
Amortised cost	**(17,401)**	(19,393)
At end of year	**7,328,931**	8,071,684
At 31 December		
Cost	**7,421,403**	8,146,755
Accumulated amortisation	**(92,472)**	(75,071)
Carrying amount	**7,328,931**	8,071,684

(c) Available-for-sale investments

	2015	2014
	€	€
Equity securities:		
- listed shares	**1,082,933**	1,303,110

16. **Other investments** (continued)

(c) Available-for-sale investments (continued)

The movements in investments classified as available-for-sale are summarised as follows:

	2015	2014
	€	€
Year ended 31 December		
At beginning of year	**1,303,110**	1,688,146
Disposals	**(332,321)**	(344,722)
Net fair value gains	**112,144**	(40,314)
At end of year	**1,082,933**	1,303,110
At 31 December		
Cost	**688,379**	1,020,700
Accumulated fair value gains	**394,554**	282,410
Carrying amount	**1,082,933**	1,303,110

(d) Loans and receivables

	Group		**Company**	
	2015	2014	**2015**	2014
	€	€	**€**	€
Loans to group undertakings	**-**	-	**2,108,458**	1,973,808
Loans secured on policies	**151,328**	145,501	**-**	-
Term deposits held for investment purposes	**-**	1,000,000	**-**	-
	151,328	1,145,501	**2,108,458**	1,973,808

Group
Loans secured on policies are substantially non-current in nature. They are charged interest at the rate of 8% (2014 - 8%) per annum.

Company
Loans to group undertakings are unsecured and do not bear interest. These loans are repayable on demand but are not expected to be realised within twelve months after the end of the reporting period.

Furthermore, waivers given in respect of amounts owed by group undertakings are disclosed in Note 31.

17. Technical provisions – insurance contracts and investment contracts

	2015	2014
	€	€
Insurance contracts (net of reinsurance)	**46,002,705**	42,791,616
Investment contracts with DPF	**17,243,134**	17,479,051
	63,245,839	60,270,667
Investment contracts without DPF	**4,651,692**	3,467,840
Total technical provisions	**67,897,531**	63,738,507

The movements in technical provisions relating to insurance contracts and investment contracts with DPF net of reinsurance are analysed below:

	Insurance contracts	**Investment contracts with DPF**	**Total**
	€	**€**	**€**
Year ended 31 December 2014	41,058,884	19,448,328	60,507,212
At beginning of year			
Charged to technical account			
-change in the provision for claims	(71,013)	(55,216)	(126,229)
-change in other technical provisions	1,803,745	(1,914,061)	(110,316)
At end of year	**42,791,616**	**17,479,051**	**60,270,667**
Year ended 31 December 2015			
At beginning of year	42,791,616	17,479,051	60,270,667
Charged to technical account			
-change in the provision for claims	52,177	103,203	155,380
-change in other technical provisions	3,158,912	(339,120)	2,819,792
At end of year	**46,002,705**	**17,243,134**	**63,245,839**

17. Technical provisions – insurance contracts and investment contracts (continued)

Insurance contracts are further analysed as follows:

	2015	2014
	€	€
Gross technical provisions - insurance contracts		
Short term insurance contracts		
claims outstanding	**11,920**	5,240
other provisions	**108,608**	68,787
Long term insurance contracts		
claims outstanding	**219,590**	141,698
long term business provision	**49,274,936**	44,902,710
	49,615,054	45,118,435
Reinsurers' share of technical provisions - insurance contracts		
Short term insurance contracts		
claims outstanding	**(8,344)**	(3,668)
other provisions	**(48,628)**	(31,834)
Long term insurance contracts		
claims outstanding	**(78,984)**	(51,264)
long term business provision	**(3,476,393)**	(2,240,053)
	(3,612,349)	(2,326,819)
Net technical provisions - insurance contracts		
Short term insurance contracts		
claims outstanding	**3,576**	1,572
other provisions	**59,980**	36,953
Long term insurance contracts		
claims outstanding	**140,606**	90,434
long term business provision	**45,798,543**	42,662,657
	46,002,705	42,791,616

Long term contracts – assumptions, changes in assumptions and sensitivity

(a) Assumptions

For long term contracts, estimates are determined by reference to expected future deaths, investment return and policy maintenance expenses. Mortality estimates are based on standard mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Company's own experience. A weighted average rate of investment return is applied in accordance with the Insurance Business (Insurers' Assets and Liabilities) Regulations, 2007, reflecting current investment yields, adjusted by a margin of contingency. Allowance is made for policy maintenance expenses at a rate determined by reference to the insurance Company's cost base. The calculation assumes the continuation of existing tax legislation and rates.

17. Technical provisions – insurance contracts and investment contracts (continued)

(b) Changes in assumptions

During the year, there were no changes in mortality assumptions for permanent assurance, interest-sensitive and unit linked business.

Sensitivity analysis

The following table presents the sensitivity of the value of liabilities variable that will trigger an adjustment and the liability disclosed in this note to movements in the assumptions used in the estimation of liabilities for long term contacts. The table below indicates the level of the respective adjustment that would be required.

	Increase in liability	
	2015	2014
	€	€
10% loading applied to mortality assumptions	**539,178**	460,463
Lowering of investment return by 25 basis points	**952,425**	1,058,374

The above analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

18. Property held for development

	Group	
	2015	2014
	€	€
At cost		
Year ended 31 December		
At beginning of year	**679,930**	748,541
Disposals	**(679,930)**	-
Impairment of property	**-**	(68,611)
At end of year	**-**	679,930

19. Trade and other receivables

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Trade receivables - third parties	**781,313**	693,193	**-**	-
Less: impairment of receivables	**(147,519)**	(66,489)	**-**	-
Trade receivables - net	**633,794**	626,704	**-**	-
Other loans and recievables:				
Receivables from other related parties	**13,125**	83,216	**-**	83,216
Prepayments	**613,222**	333,141	**4,515**	9,847
Accrued investment income	**895,928**	549,480	**-**	-
Other receivables	**399,075**	398,506	**112,631**	242,493
	2,555,144	1,991,047	**117,146**	335,556

Movement in the Group provision for impairment of trade receivables is as follows:

	Group	
	2015	2014
	€	€
Year ended 31 December		
At the beginning of year	**66,489**	145,942
Increase/(decrease) in provision	**81,030**	(79,453)
At end of year	**147,519**	66,489

The movement in the provision for impairment of trade receivables is included in ‘net operating expenses’ in the technical account. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The Group holds a bank guarantee of €4,000 as collateral in respect of receivables (2014 - €4,000). No trade receivables were written off as bad debts in 2015 and 2014.

As at 31 December 2015, trade receivables amounting to €67,235 (2014 - €205,379) were fully performing and trade receivables amounting to €566,559 (2014 - €421,325) were past due but not impaired. These dues related to a number of independent parties for whom there is no recent history of default. The ageing analysis of the trade receivables that are past due but not impaired is as follows:

	2015	2014
	€	€
Between 3 to 6 months	**154,872**	216,395
More than 6 months	**411,687**	204,930
	566,559	421,325

There are no other material past due amounts in trade and other receivables.

Other receivables include cash amounting to €281,063 (2014 - €288,532) held with the Law Courts for precautionary garnishee orders in connection with claims against the Group.

19. Trade and other receivables (continued)

Amounts owed by other related parties are unsecured and interest free. Amounts owed by group undertakings are unsecured and do not bear interest. These balances are payable on demand.

Interest-bearing automatic premium loans are classified as loans and receivables in Note 16 to the financial statements.

All of the above amounts are current in nature.

20. Share capital

	Company	
	2015	2014
	€	€
Authorised		
30,000,000 ordinary shares of €0.291172 each	**8,735,160**	8,735,160
Issued and fully paid		
13,207,548 ordinary shares of €0.291172 each	**3,845,668**	3,845,668

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or additional debt or sell assets to reduce debt.

The Directors consider that capital management is of particular relevance in the areas of the Group that are subject to regulatory supervision. GlobalCapital Life Insurance Limited, which is authorised by the Malta Financial Services Authority to carry out long term business of insurance, is required to hold regulatory capital to support its long term insurance business as determined in accordance with the Insurance Business (Assets and Liabilities) Regulations. The capital of GlobalCapital Financial Management Limited is regulated by rules issued under the Investment Services Act and by the Financial Institutions Act. The capital of GlobalCapital Insurance Brokers Limited and GlobalCapital Health Insurance Agency Limited is regulated by rules issued under the Insurance Intermediaries Act.

The above regulations set out the required minimum capital that must be maintained at all times throughout the year. Each company monitors capital on a regular basis at least once a month through detailed reports compiled with management accounts. Such reports are circulated to senior management. Any transactions that may potentially affect a company's regulatory position are immediately reported to the Directors for resolution prior to notifying the Malta Financial Services Authority.

20. Share capital (continued)

The table below summarises the minimum own funds required across the Group's regulated subsidiaries and the regulatory capital held against each of them. Non-regulated entities are financed by items presented within equity in the statement of financial position and long-term borrowings.

	2015 Minimum Own Fund Requirements	**2015 Actual Own Funds**	2014 Minimum Own Fund Requirements	2014 Actual Own Funds
	€	**€**	€	€
GlobalCapital Health Insurance Agency Limited	**309,713**	**1,382,355**	308,076	2,062,233
GlobalCapital Insurance Brokers Limited	**58,234**	**55,769**	58,234	62,597
GlobalCapital Life Insurance Limited	**3,700,000**	**21,890,793**	3,700,000	15,667,146
GlobalCapital Financial Management Limited	**166,940**	**1,282,711**	285,560	1,349,106

At both year-ends, all subsidiaries subject to regulatory supervision satisfied minimum prudential capital requirements, except for GlobalCapital Insurance Brokers Limited, which had sold its insurance business portfolio in 2013 and has since ceased all insurance intermediary business except to the extent required to run-off previous outstanding claims. The current year amounts are, in general, estimates that are updated if necessary once statutory submissions are made to the Malta Financial Services Authority.

GlobalCapital Life Insurance Limited's margin of solvency stood at 3.04 times at 31 December 2015 (2014 – 2.09 times cover). The current year amount is an estimate that is updated if necessary once statutory submissions are made to the Malta Financial Services Authority.

In 2006, the Group also raised capital through the issue for subscription to the general public of €17,000,000 unsecured bonds, carrying a rate of interest of 5.6% per annum (Note 23), of which €2,901,000 were purchased back as at the end of the reporting period. Such issue was raised for the general financing requirements of the Group and proceeds have been invested in a number of assets, in line with the strategic requirements of the Group. The conditions outlined in the offering document to the issue contain restrictions as to the amount of secured borrowing which can be entered into by the Group. Management monitors such requirement on a regular basis, at least once a month, to ensure ongoing compliance with these requirements. As at the date of this report, according to management's best estimates, the Group had surplus net assets over the maximum permitted secured borrowing limit of €13,833,000 (31 December 2014 - €7,708,000). Management are continuously monitoring this position to ensure that the bond covenant requirements are complied with.

21. Share premium account

	2015	2014
	€	€
Share premium	**16,970,641**	16,970,641

22. Other reserves

Group	Value of in-force business €	Other unrealised gains €	Investment compensation scheme €	Total €
Year ended 31 December 2014				
At beginning of year	2,755,217	322,724	8,162	3,086,103
Increase in value in-force business, transferred from profit and loss account	397,129	-	-	397,129
Net loss on available-for-sale financial assets	-	(40,314)	-	(40,314)
Deferred tax movement on available-for-sale financial assets	-	(98,749)	-	(98,749)
At end of year	**3,152,346**	**183,661**	**8,162**	**3,344,169**
Year ended 31 December 2015				
At beginning of year	3,152,346	183,661	8,162	3,344,169
Increase in value in-force business, transferred from profit and loss account	881,000	-	-	881,000
Net gain on available-for-sale financial assets	-	112,144	-	112,144
Deferred tax movement on available-for-sale financial assets	-	(39,345)	-	(39,345)
At end of year	**4,033,346**	**256,460**	**8,162**	**4,297,968**

The above reserves are not distributable.

23. Interest-bearing borrowings

	Group		Company	
	2015 €	2014 €	**2015** €	2014 €
5.6% unsecured bonds 2014/2016	**13,801,023**	14,027,626	**13,801,023**	14,027,626
Total borrowings	**13,801,023**	14,027,626	**13,801,023**	14,027,626

By virtue of the offering memorandum dated 10 May 2006, the Company issued for subscription to the general public €17,000,000 bonds. The bonds were effectively issued on 26 May 2006 at the bond offer price of €100 per bond. During the year, the Company bought back €202,105 of the outstanding bond (2014 - €2,401,000).

The bonds are subject to a fixed interest rate of 5.6% per annum payable yearly on 2 June.

All bonds are redeemable at par and at the latest are due on 2 June 2016.

The bonds were admitted to the official list of the Malta Stock Exchange. The quoted market price of the bonds at 31 December 2015 was €96.00 (2014 - €100.00).

23. Interest-bearing borrowings (continued)

The bond is disclosed at the value of the proceeds less the net book amount of the issue costs as follows:

	Group and Company	
	2015	2014
	€	€
Proceeds		
€17,000,000, 5.6% bonds 2014/2016	**14,027,626**	16,456,307
Less:		
Issue cost	**493,326**	493,326
Accumulated amortisation	**(468,828)**	(419,631)
Exchange difference correction	**-**	(46,014)
Bonds repurchased and cancelled	**202,105**	2,401,000
	226,603	2,428,681
	13,801,023	14,027,626

Restrictions with regards to the bond issue as to the amount of secured borrowing which can be entered into by the Group are disclosed in Note 20.

24. Trade and other payables

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Trade payables	**3,270,501**	2,144,871	**541,715**	465,607
Amounts due to group undertakings	**-**	-	**1,778,632**	498,913
Accruals and deferred income	**1,377,165**	1,280,200	**850,199**	596,440
Other payables	**563,697**	495,980	**48,776**	18,557
	5,211,363	3,921,051	**3,219,322**	1,579,517

All of the above amounts are payable within one year.

Amounts owed to group undertakings are unsecured and do not bear interest. These balances are payable on demand.

25. Cash used in operations

Reconciliation of operating loss to cash used in operations:

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Cash flows generated from/(used in) operating activities				
Profit/(loss) before tax	**5,606,505**	811,151	**(1,576,045)**	(1,654,816)
Adjustments for:				
Net gain/(loss) on investments	**(7,331,111)**	(2,025,670)	**(485)**	(1,226,692)
Gain on purchase of own debt	**-**	(93,646)	**-**	(93,646)
Increment in value in-force business	**(881,000)**	(397,129)	**-**	-
Impairment/amortisation	**66,598**	153,328	**52,577**	52,582
Depreciation	**285,870**	301,065	**21,779**	21,005
Net movement in technical provisions	**3,121,435**	(339,988)	**-**	-
Impairment of receivables (Note 19)	**(81,030)**	79,453	**-**	-
Increase in impairment of intercompany receivables	**-**	-	**-**	206,965
Gain on sale of property held for development	**(16,145)**	-	**-**	-
Dividend income	**(687,093)**	(359,777)	**-**	(56,152)
Interest income	**(1,580,595)**	(1,696,042)	**(1,103)**	(254,892)
Interest expense	**756,644**	934,315	**774,578**	1,011,683
Operating loss before working capital movements	**(739,922)**	(2,632,940)	**(728,699)**	(1,993,963)
Movement of property held for development	**696,075**	-	**-**	-
Movement in trade and other receivables	**(53,748)**	727,360	**135,194**	(136,787)
Movement in trade and other payables	**1,082,701**	510,366	**360,086**	(3,509,954)
Nat cash flow generated from/(used in) operating activities	**985,106**	(1,395,214)	**(233,419)**	(5,640,704)

26. Cash and cash equivalents

For the purposes of the statements of cash flows, the year-end cash and cash equivalents comprise the following:

	2015	2014	**2015**	2014
	€	€	**€**	€
Cash at bank and in hand	**5,440,651**	2,571,167	**40,187**	48,018

Cash at bank earns interest on current deposits at floating rates (2014 – fixed and floating rates ranging between 0% and 3%).

27. Fair values

As at the end of the reporting period, all the group's and the company's financial instruments that are measured subsequent to initial recognition at fair value through profit or loss and all available-for-sale investments were measured using Level 1 inputs with the exception of collective investment schemes that are measured using Level 2 inputs.

The fair value of the bonds issued by the company, carried at amortised cost, is disclosed in Note 23.

At 31 December 2015 and 2014, the carrying amounts of financial assets, other than investment in group undertakings, and financial liabilities, other than the 5.6% unsecured bond in Note 23, approximated their fair values, with the exception of financial liabilities emanating from investment contracts with DPF and certain held-to-maturity investments with interest rates that exceed the current market rates. It is impracticable to determine the fair value of investment contracts with DPF due to the lack of a reliable basis to measure the future discretionary return that is a material feature of these contracts.

The following table provides an analysis of financial instruments that are not measured subsequent to initial recognition at fair value, other than those with carrying amounts that are reasonable approximations of fair value and other than investments in subsidiaries and investment contracts with DPF, grouped into Levels 1 to 3.

Group

	Fair value measurement at end of the reporting period using:				
	Level 1	**Level 2**	**Level 3**	**Total**	**Carrying amount**
	€	**€**	**€**	**€**	**€**
2015					
Financial assets					
Loans and receivables					
- loans secured on policies	-	151,328	-	151,328	151,328
Held-to-maturity investments	9,087,112	-	-	9,087,112	7,328,931
Total	**9,087,112**	**151,328**	**-**	**9,238,440**	**7,480,259**
Financial liabilities at amortised cost					
- other payables	-	563,697	-	563,697	563,697
- 5.6% bonds 2014/2016	-	13,270,272	-	13,270,272	13,823,200
Total	-	**13,833,969**	**-**	**13,833,969**	**14,386,897**

27. Fair values (continued)

Group

	Fair value measurement at end of the reporting period using:				
	Level 1	**Level 2**	**Level 3**	**Total**	**Carrying amount**
	€	**€**	**€**	**€**	**€**
2014					
Financial assets					
Loans and receivables					
- loans secured on policies	-	145,501	-	145,501	145,501
- term deposits held for investment purposes	-	1,000,000	-	1,000,000	1,000,000
Held-to-maturity investments	9,542,736	-	-	9,542,736	8,071,684
Total	**9,542,736**	**1,145,501**	**-**	**10,688,237**	**9,217,185**
Financial liabilities at amortised cost					
- other payables	-	495,980	-	495,980	495,980
- 5.6% bonds 2014/2016	-	14,099,000	-	14,099,000	14,099,000
Total	**-**	**14,594,980**	**-**	**14,594,980**	**14,594,980**

Company

	Fair value measurement at end of the reporting period using:				
	Level 1	**Level 2**	**Level 3**	**Total**	**Carrying amount**
	€	**€**	**€**	**€**	**€**
2015					
Financial assets					
Loans and receivables					
- Loans to group undertakings	-	2,108,458	-	2,108,458	2,108,458
Total	**-**	**2,108,458**	**-**	**2,108,458**	**2,108,458**
Financial liabilities at amortised cost					
- Amounts due to group undertakings	-	1,778,632	-	1,778,632	1,778,632
- 5.6% bonds 2014/2016	-	13,270,272	-	13,270,272	13,823,200
Total	**-**	**15,048,904**	**-**	**15,048,904**	**15,601,832**

27. Fair values (continued)

Company

	Level 1	Level 2	Level 3	Total	Carrying amount
		Fair value measurement at end of the reporting period using:			
	€	€	€	€	€
2014					
Financial assets					
Loans and receivables					
- Loans to group undertakings	-	1,973,308	-	1,973,308	1,973,308
Total	**-**	**1,973,308**	**-**	**1,973,308**	**1,973,308**
Financial liabilities at amortised cost					
- Amounts due to group undertakings	-	498,913	-	498,913	498,913
- 5.6% bonds 2014/2016	-	14,099,000	-	14,099,000	14,099,000
Total	**-**	**14,597,913**	**-**	**14,597,913**	**14,597,913**

28. Related party transactions

Group

Transactions during the year with other related parties were as follows:

	2015	2014
	€	€
Commission receivable from related parties	**7,839**	70,244
Commission receivable on investments made by related funds (see note below)	**5,039**	2,090
Fees receivable in respect of advice provided to related funds (see note below)	**87,301**	70,055

GlobalCapital Financial Management Limited, a group undertaking, acts as Investment Advisor and Fund Manager to Global Funds SICAV p.l.c. The advisory fees earned by this group undertaking from its activity as Investment Advisor and Fund Manager are included in turnover, and during the year amounted to €87,301 (2014 - €70,055). Global Funds SICAV p.l.c. is considered to be a related party by way of key management.

28. **Related party transactions** (continued)

Interest receivable and payable from and to related parties is disclosed in Note 6. Amounts owed by or to related parties are disclosed in Notes 19 and 24 to these financial statements. No impairment loss has been recognised in 2015 and 2014 in respect of receivables from related parties. The terms and conditions of the related party balances do not specify the nature of the consideration to be provided in settlement. No guarantees have been given or received in relation to these balances.

The following financial assets were held by the Group in related entities as at 31 December:

	2015	2014
	€	€
Global Bond Fund Plus	**157,345**	152,035
Malta Privatisation & Equity Fund	**464,940**	413,678
Melita International Equity Fund	**70,438**	62,726
Other related funds	**-**	940,976
	692,723	1,569,415

As at 31 December 2015, the above investments were represented by the following holdings held by the Group directly in each fund:-

	2015	2014
	%	%
Global Bond Fund Plus	**13**	12
Malta Privatisation & Equity Fund	**19**	18
Melita International Equity Fund	**19**	18

The above disclosures do not include investments in related collective investment schemes held to cover linked liabilities.

In addition the Group held the following holdings in each fund in a nominee capacity:-

	2015	2014
	%	%
Global Bond Fund Plus	**21**	41
Malta Privatisation & Equity Fund	**14**	16
Melita International Equity Fund	**22**	22

As at the end of the reporting date, there were no bonds held by other related parties (2014 - €Nil). The compensation to Directors in 2015 and 2014 is disclosed in Note 8 to the financial statements.

28. Related party transactions (continued)

Company

All companies forming part of the GlobalCapital Group are considered by the Directors to be related parties as these companies are also ultimately owned by GlobalCapital p.l.c. Related parties that do not form part of the consolidated group include entities related by way of common Directors and ultimate Shareholders.

Dividends and interest receivable from group undertakings are disclosed in Note 6. Amounts owed by or to group undertakings and related parties are disclosed in Notes 16, 19 and 24. The terms and conditions of the related party balances do not specify the nature of the consideration to be provided in settlement. No guarantees have been given or received in relation to these balances. Impairment loss in respect of loans to group undertakings is disclosed in Notes 16 and 19. Furthermore, waivers given in respect of amounts owed by group undertakings are disclosed in Note 31. The single major shareholder at the end of the reporting period was BAI Co (Mtius) Ltd. which directly owned 48.45% of GlobalCapital p.l.c. At year end, the directors considered the ultimate controlling party to be Dawood Rawat on the basis of his total direct and indirect shareholding relative to the other shareholdings. Following the rights issue after the end of the reporting period as disclosed in Note 32, Investar p.l.c. became the majority shareholder, directly owning 52.6% of GlobalCapital p.l.c., as a result of which Paolo Catalfamo became the ultimate controlling party.

29. Commitments

Operating lease commitments - where the Group is a lessee

Future minimum lease payments due by the Group under non-cancellable operating leases are as follows:

	2015	2014
	€	€
Not later than one year	**9,697**	8,081
Later than one year and not later than five years	**29,090**	38,757
	38,787	46,838

Rent is payable on the basis of the contract terms signed between lessor and lessee as disclosed above. The Group has the right of first refusal if it wishes to extend the lease further but terms need to be negotiated with the lessor. The agreement restricts subleasing the said property to a third party.

Operating lease commitments - where the Group is a lessor

Future minimum lease payments due to the Group under non-cancellable operating leases are as follows:

	2015	2014
	€	€
Not later than one year	**519,945**	456,028
Later than one year and not later than five years	**174,942**	216,548
	694,887	672,576

Operating leases relate to the investment properties owned by the company with lease terms of up to 4 years. The lessees do not have an option to purchase the properties at the expiry of the lease period.

30. Contingent liabilities

In addition to the court cases made against the company (refer to Note 4), the Board considered other complaints received in respect of past actions by the company to determine whether there could be a possible obligation. The Directors estimate that the cash outflow from the possible obligation which may transpire in due course from such complaints amounts to €125,610 (2014 - €100,747).

31. Significant non-cash transactions

During the prior year, amounts owed by group undertakings to the company amounting to €4,524,076 were waived. These had been provided for in previous years.

32. Events after the reporting period

After the end of the reporting period, a rights issue offer was made in which 1,618,396 rights were fully paid and taken up, having the nominal value of €0.291172, amounting to a total value of €471,232. The remaining 15,174,056 rights that were not taken up (i.e. the Lapsed Rights) were subsequently all taken up by eligible shareholders at prices ranging between a high of €0.35 and a low of €0.2915 per share for a total value of €4,424,257. Following the rights issue, the Company's issued share capital increased by 127% to 30,000,000 shares.

33. Statutory information

GlobalCapital p.l.c. is a limited liability company and is incorporated in Malta.

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Independent auditor's report

to the members of

GlobalCapital p.l.c.

Report on the financial statements

We were engaged to audit the accompanying financial statements of GlobalCapital p.l.c. and its group set out on pages 13 to 85, which comprise the statements of financial position of the company and the group as at 31 December 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

As explained more fully in the statement of directors' responsibilities on page 11, the directors of the company are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As explained more fully in the statement of directors' responsibilities on page 11, the Directors, when preparing financial statements, are responsible for making an assessment of an entity's ability to continue as a going concern. A company shall prepare financial statements on a going concern basis unless the Directors either intend to liquidate the entity or to cease trading, or have no realistic alternative but to do so. When the Directors are aware, in making their assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the company's ability to continue as a going concern, the company shall disclose those uncertainties. The events or conditions requiring disclosure may arise after the reporting period but before the date the financial statements are authorised for issue.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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Independent auditor's report (continued)

to the members of

GlobalCapital p.l.c.

Basis for Disclaimer of Opinion

As explained in Note 1 to the financial statements, the Company's bond, amounting to Eur13.8M excluding accrued interest of Eur0.8M, is due for repayment five weeks after the approval of these financial statements, on 2 June 2016. At the date of approval of these financial statements, the Company had only secured Eur4.7M of the funding required for repayment of these obligations with a plan in place for securing the remaining funds through the fresh issue of a Eur10M five year bond ('the New Bond').

The Malta Financial Services Authority has indicated that it would proceed to consider the regulatory approval of the admissibility to listing of the New Bond subject to a number of conditions, one of which was that the New Bond would be underwritten or its take-up otherwise ensured or guaranteed.

In Note 1 to the financial statements, the Directors explain that the Company has received a commitment from its majority shareholder Investar p.l.c. to subscribe up to Eur5M in nominal value in New Bonds in the event that there is a shortfall of such an amount or more in the overall take-up of the New Bonds. The Company has also received commitments from other shareholders / professional investors, through its sponsor, to subscribe up to an additional Eur5M in aggregate in nominal value in the New Bonds in the event of a shortfall in the overall take-up of the New Bonds after the fulfilment by Investar p.l.c. of its foregoing commitment to subscribe to Eur5M in nominal value of the New Bonds. Such commitments amount in aggregate to Eur10M which is equivalent to the full amount of the New Bond.

International Standards on Auditing require the auditor to obtain sufficient appropriate audit evidence about the appropriateness of the Directors' use of the going concern assumption and to evaluate the Directors' assessment. The potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater for future events or conditions that may cause the Company to cease to continue as a going concern. The auditor cannot predict such future events or conditions. Nonetheless, in evaluating the Directors' assessment of the Company's ability to continue as a going concern, the auditor shall consider whether the Directors' assessment includes all relevant information of which the auditor is aware as a result of the audit. Where the Directors' assumptions include continued support by third parties, e.g. through commitments to maintain or provide additional funding or guarantees, and such support is important to the Company's ability to continue as a going concern, the auditor may need to obtain evidence of the third parties' ability to provide such support.

At the time of issue of this audit report:

- We have not been provided with sufficient appropriate audit evidence of cash or other liquid assets for the full amount of Eur10M that would be used if necessary over the coming weeks to support the shareholders' commitments mentioned by the Directors in Note 1 to the financial statements; and
- There are no formal pledges or equivalent arrangements in place over any assets that would underlie the Eur10M commitments made to the Company.

Deloitte.

Independent auditor's report (continued)

to the members of

GlobalCapital p.l.c.

Basis for Disclaimer of Opinion - continued

We requested the Company whether they are able to obtain further assurances regarding the basis of the shareholders' commitments, but we were informed that no such further assurances were available by the time of issue of this audit report.

As a result of the above, we were unable to obtain sufficient appropriate audit evidence at the time of issue of this audit report about the appropriateness of the Directors' use of the going concern assumption in the preparation of the financial statements.

This audit report is based on the information available to us on 30 April 2016, which is the last time that the Company provided documentation to us for the purpose of our audit. We have received assurances from the Directors that no further relevant events or conditions, or additional Board minutes or audit evidence that could require adjustment of, or disclosure in, the financial statements or that could have a bearing on our audit report have occurred or have become available at the time of issue of this audit report.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion as to whether the financial statements give a true and fair view of the financial position of GlobalCapital p.l.c. and its group as at 31 December 2015, and of the company's and its group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and whether they have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386). Accordingly, we do not express an opinion on the financial statements.

Report on Other Legal and Regulatory Requirements

In accordance with the provisions of sub-article 179(11) of the Companies Act (Cap. 386), in respect solely of the limitation on the scope of our work relating to the Directors' assessment of the appropriateness of the going concern basis of preparation of the financial statements, we have been unable to obtain all the information and explanations that we considered necessary for the purpose of our audit.

Ian Coppini as Director
in the name and on behalf of
Deloitte Audit Limited
Registered auditor
Mriehel, Malta.

1 May 2016

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