

GLOBALCAPITAL p.l.c.

Annual Report and Financial
Statements

31 December 2013

	Pages
Directors' Report	1 - 2
Corporate Governance – Statement of Compliance	3 - 7
Remuneration Committee Report	8
Independent Auditor's Report on the Corporate Governance Statement of Compliance	9
Statement of Directors' Responsibilities	10
Statement of the Directors Pursuant to Listing Rule 5.68	11
Statements of Comprehensive Income	12 - 13
Statements of Financial Position	14
Statements of Changes in Equity	15 - 16
Statements of Cash Flows	17
Accounting Policies	18 - 33
Notes to the Financial Statements	34 - 81
Independent Auditor's Report	82 - 83

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2013.

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

GlobalCapital p.l.c. (the "Group") registered a loss for the year before impairment charges and fair value movements on investment properties of €679,378 in 2013 compared to a loss of €1,365,200 for the year ended 31 December 2012.

The improvement in operational performance was primarily driven by a reduction in operating costs and favourable financial markets. The Group accomplished additional operational cost savings of €500,000 on the €800,000 achieved in 2012. Process efficiencies will continue to be an area of focus in 2014. The Group registered net unrealised fair value gains on its investment portfolio of €1,210,507 compared to net unrealised fair value gains of €285,079 in the prior year.

The life insurance business continued registering growth in unit linked business whilst retaining a level of periodic premium that compares to prior year. Overall life insurance premium income was marginally lower than in 2012 due to a decrease in the single premium business. The life insurance segment registered a loss for 2013 of €260,707 (2012 - €276,272). The bottom line for this segment continues to be impacted by new business strain as the company pursues the building of its life portfolio. The net increment in the value of in-force business was €735,186 (2012 - €626,154), an increase of €109,032 which is the net contribution of new profitable business and the reduction in the operational cost base of running the business.

Health insurance income registered a 4% decrease over the prior year in a market which is highly competitive and price sensitive. The agency and brokerage segment generated a combined profit of €999,736 (2012 - €735,199). The Group divested of the brokerage activity during the course of 2013 to focus on its core life and health insurance businesses which is in line with the corporate strategy. The Group will continue to focus on these core segments in 2014 and beyond.

The overall results for the year were, however, negatively impacted by fair value movements on the Group's property portfolio; these amounted to €3,174,376 (2012 - €352,680) resulting in the total loss for the year after tax of €3,661,194 (2012 - €2,406,486).

The Group remains committed in creating value to shareholders by focusing on growing the insurance segment and effectively reducing the expense base to allow the return to profitable territory in the near term.

Directors' Report (continued)

Results and dividends

The statements of comprehensive income are set out on pages 12 and 13. The Directors do not recommend the declaration of a dividend (2012 - Nil) as the company did not have any distributable reserves at 31 December 2013.

Directors

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

Dawood A. Rawat	- Chairman
Thomas St. John Neville Bates	
Joseph R. Aquilina	
Andrew Borg Cardona LL.D.	
Arun Shankardass	- Appointed 28 th June 2013
Muni Krishna T. Reddy, GOSK	- Resigned 28 th June 2013
Moussa I. Rawat	- Appointed 6 th December 2013
Nicholas Ashford-Hodges	- Resigned 6 th December 2013
Joseph M. Zrinzo	- Resigned 31 st December 2013

The Directors are required in terms of the Company's Articles of Association to retire at the forthcoming Annual General Meeting, unless they have been appointed for a shorter or longer term, 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:



Thomas St. John Neville Bates
Director



Andrew Borg Cardona
Director

Registered office:
Testaferrata Street
Ta' Xbiex
Malta

30 April 2014

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 2013, the Board of Directors consisted of seven non-executive Directors, who bring to the Company a wide range of expertise. 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. On the 6 December 2013, Mr. Nicholas Ashford-Hodges tendered his resignation from the Board of Directors of the Company. In terms of Article 80 (1) (b) of the Articles of Association of the Company, the Board of Directors unanimously resolved, subject to any regulatory clearance, to appoint Mr. Moussa I. Rawat as a director of the Company. Mr. Joseph M. Zrinzo tendered his resignation from the Board of Directors with effect from the 31 December 2013 following his election to the board of directors of another locally listed company, which is active in financial services, to avoid any potential conflicts of interests that may arise. 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. During the period under review the Board of Directors met eight (8) 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 Mr. Bashar Khatib. 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 to the commencement of every financial year and monitors the implementation of these plans. During the financial year under review, the Audit Committee met six (5) times. The Audit Committee was composed of Mr. Muni Krishna T. Reddy, GOSK as Chairman, Mr. Joseph M. Zrinzo and Professor Thomas St. John Neville Bates as members until the Annual General Meeting of the Company held on the 28 June 2013. Following the Annual General Meeting in 2013 the Audit Committee was composed of Mr. Arun Shankardass, as Chairman, Mr. Joseph M. Zrinzo and Professor Thomas St. John Neville Bates as members. Following Mr. Zrinzo's resignation from the Board of Directors, Dr. Andrew Borg Cardona was appointed to the Audit Committee as a member.

Mr. Shankardass 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 Chief Financial 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 five (5) times and was composed of Mr. Nicholas Ashford-Hodges as Chairman, Professor Thomas St. John Neville Bates and Mr. Dawood A. Rawat as members. Mr. Moussa I. Rawat has since been appointed to the Nominations Committee as Chairman, following the resignation of Mr. Ashford-Hodges in December 2013. 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 2013, the Remuneration Committee met five (5) times and was composed of Professor Thomas St. John Neville Bates as Chairman and Mr. Nicholas Ashford-Hodges and Mr. Joseph R. Aquilina as members. Mr. Moussa I. Rawat has since been appointed to the Remuneration Committee as a member, following the resignation of Mr. Ashford-Hodges in December 2013.

3.1.4. Investment Committee

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

The Investment Committee met four (4) times during 2013. It was composed of Mr. Nicholas Ashford-Hodges as Chairman, Mr. Dawood A. Rawat and Mr. Muni Krishna T. Reddy as members until the Annual General Meeting of the Company in 2013. Following the Annual General Meeting of the Company, the Investment Committee was composed of Mr. Nicholas Ashford-Hodges, as Chairman, and Mr. Dawood A. Rawat and Mr. Arun Shankardass as members. Mr. Ashford-Hodges resigned in December 2013. Mr. Joseph Aquilina has since been appointed to the Investment Committee, as Chairman, and Mr. Moussa I. Rawat has been appointed to the Investment Committee as a member.

3.1.5. Ethics Committee

Until the Annual General Meeting of the Company in 2013, the Ethics Committee was composed of four members, namely, Professor Thomas St. John Neville Bates as Chairman and Mr. Joseph R. Aquilina, Mr. Joseph M. Zrinzo and Dr. Andrew Borg Cardona as members. Following the Annual General Meeting the Ethics Committee was composed of Professor Bates as Chairman and Dr. Borg Cardona as a member. The Ethics Committee did not meet in 2013.

3.1.6. Risk Committee

In 2013 the Company set up a Risk Committee to oversee policies, practices, procedures and controls related to risk identification, capital structure, liquidity management, regulatory compliance and monitoring the annual capital plan. Following the Annual General Meeting of 2013 the members on this committee were Mr. Nicholas Ashford-Hodges as Chairman, and Mr Joseph R. Aquilina as a member. Two other members on this committee sit on the Board of directors of the Company's subsidiary GlobalCapital Life Insurance Limited. This in line with the regulatory requirements of GlobalCapital Life Insurance Limited to have a risk committee set up. The Risk Committee invites the Risk Officer and the Chief Financial Officer to attend its meetings, as deemed necessary.

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 once every month and is chaired by Mr. Bashar Khatib, the Chief Executive Officer. The members of the Executive Committee are:

Mr. Bashar Khatib	- Chief Executive Officer and Chairman of the Executive Committee
Mr. James Blake	- Chief Operating Officer
Mr. Reuben Zammit	- Chief Financial Officer

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 2013, none of the 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 on 11 July 2014, will cover the approval of the Annual Report and Audited Financial Statements for the year ended 31 December 2013, 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, the Interim Directors' Statements issued bi-annually, updates and articles on the Group's website, the publication of Group announcements and press releases.

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.

Corporate Governance – statement of compliance (continued)

8. Statement of going concern as required by Listing Rule 5.62

As further described in the Basis of Preparation on page 18, the Directors are satisfied that, having taken into account the Group's statement of financial position, solvency margins and profitability, it is reasonable to assume that the Company and the Group have adequate resources to continue operating for the foreseeable future. Accordingly, the Directors have adopted the going concern basis in preparing the financial statements.

Approved by the Board of Directors on 30 April 2014 and signed on its behalf by:



Thomas St. John Neville Bates
Director



Andrew Borg Cardona
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.

The Committee is chaired by Professor Thomas St. John Neville Bates. During 2013 the other members were Mr. Nicholas Ashford-Hodges and Mr. Joseph R. Aquilina. All of the members were non-executive Directors. During the financial year under review, five (5) meetings of the Remuneration Committee were held. The attendance at the meetings was as follows:

Remuneration Committee Member	Committee meetings attended
Professor Thomas St. John Neville Bates – Chairman	5
Mr. Nicholas Ashford-Hodges	5
Mr. Joseph R. Aquilina	5

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 (2013):

Fees	€307,292
Remuneration	€3,750
Total emoluments	€311,042

Directors' remuneration and fees are disclosed in aggregate.