

PROSPECTUS

Dated 10 May 2006

€10,000,000 5.6% Bonds due 02 June 2016

(subject to early redemption at the option of the Issuer on 02 June 2014 and 02 June 2015)

of a nominal value of €100 per Bond issued at par

(subject to an Over-allotment Option not exceeding in aggregate €7,000,000)

by

GLOBAL FINANCIAL SERVICES GROUP P.L.C.

(incorporated in Malta with limited liability under registration number C 19526)



Offer Period: from 18 May 2006 to 26 May 2006

(subject to the right of the Issuer to close the Offer early in the event of over-subscription)

ISIN MT0000073412

Sponsor

HSBC Stockbrokers (Malta) Ltd

Underwriter, Manager & Registrar

HSBC Bank Malta p.l.c.



Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List.

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds will be repayable in full upon maturity. Prospective investors should carefully consider all the information contained in the Prospectus as a whole and should consult their own independent financial and other professional advisers before deciding to make an investment in the Bonds.

Three handwritten signatures in black ink. One is a large, stylized signature on the left. Another is a smaller signature above it. The third is a signature inside a large, hand-drawn circle on the right.

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SUMMARY

PART 1 - SUMMARY

Dated 10 MAY 2006

OF THE

PROSPECTUS

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IMPORTANT INFORMATION

Introduction

This document constitutes a summary to the Prospectus dated 10 May 2006 and contains information on the issue by Global Financial Services Group p.l.c. (the "Issuer") of €10,000,000 5.6% Bonds of a nominal value of €100 per Bond, and any additional Bonds of a nominal value of €100 per Bond, which the Issuer may issue under the Over-allotment Option to meet any outstanding Applications in the event of over-subscription (the "Bond Issue"). The Bonds are being issued at par. Interest on the Bonds will become due and payable annually in arrears at the rate of 5.6% per annum, on 02 June of each year, between 2007 and the year in which the Bonds are redeemed, both years included, (each, an "Interest Payment Date"), the first Interest Payment Date falling on 02 June 2007. Any Interest Payment Date which falls on a day other than a Business Day (as defined on page 17 of the Registration Document), will be carried over to the next following day that is a Business Day. The nominal value of the Bonds on offer will be repayable in full at maturity on 02 June 2016, unless the Bonds are previously re-purchased and cancelled. The Issuer has the option to redeem all or any part of the Bonds at their nominal value on 02 June 2014 or 02 June 2015 by giving not less than sixty (60) days prior notice to Bondholders. The Offer of €10,000,000 5.6% Bonds will be underwritten as to 50% by HSBC Bank Malta p.l.c.. Pursuant to an underwriting agreement dated 04 May 2006 between the Issuer and the Underwriter, it was agreed that in the event that the Offer of €10,000,000 5.6% Bonds is not fully subscribed after the end of the Offer Period, the Underwriter shall purchase such outstanding Bond at the Bond Issue Price subject to a minimum value of €5,000,000 in Bonds having been subscribed.

The Prospectus, of which this Summary forms part, also contains information about the Issuer and the Bonds in accordance with the requirements of the Listing Rules of the Listing Authority, the Companies Act, 1995 (Cap. 386, Laws of Malta) (the "Act") and the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

The Directors, whose names appear under the heading "Directors of the Issuer" on page 30 of the Registration Document forming part of the Prospectus are the persons responsible for the information contained in the Prospectus. To the best of the knowledge and belief of the Directors who have taken all reasonable care to ensure that such is the case, the information contained in the Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

No broker, dealer, salesman or other person has been authorised by the Issuer or by its Directors to issue any advertisement or to give any information or to make any representations in connection with the Bond Issue, other than those contained in this Prospectus and in the documents referred to herein, and if given or made such information and representations must not be relied upon as having been authorised by the Issuer or its Directors.

All the Advisers to the Issuer named in the Prospectus under the heading "Advisers to the Issuer" on page 19 of the Registration Document are acting exclusively for the Issuer in relation to this offer and will not be responsible to any investor or any other person whomsoever in relation to the transactions proposed in the Prospectus.

The Prospectus, a copy of which has been registered with the Registrar of Companies in accordance with the Act, has been published with the consent of the Registrar of Companies in terms of regulation 5(2) of the Companies Act (The Prospectus) Regulations (L.N. 389 of 2005).

A copy of the Prospectus has also been submitted to the Listing Authority for its authorisation for admissibility of the Bonds to listing in satisfaction of the requirements under the Listing Rules. Application has been made to the Malta Stock Exchange for the Bonds being issued pursuant to this Prospectus to be listed and traded on the Official List of the Malta Stock Exchange once the Bonds are authorised as admissible to listing by the Listing Authority.

An Application Form, together with a guide on how to complete it, is provided with the Prospectus. The Terms and Conditions of Application for the Bonds are set out on page 51 of the Prospectus.

Statements in the Prospectus are, except where otherwise stated, based on the law and practice currently in force in Malta and are subject to changes therein.

SUMMARY

Selling Restrictions

The Prospectus does not constitute, and may not be used for purposes of an offer or invitation to subscribe for Bonds by any person in any jurisdiction: (i) in which such offer or invitation is not authorised; or (ii) in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer or invitation.

It is the responsibility of any persons in possession of the Prospectus and any persons wishing to apply for Bonds to inform themselves of, and to observe and comply with, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for Bonds should inform themselves as to the legal requirements of so applying and of any applicable exchange control requirements and taxation in the countries of their nationality, residence or domicile.

Save for the public offering in the Republic of Malta, no action has been or will be taken by the Issuer or the Manager that would permit a public offering of the Bonds or the distribution of the Prospectus (or any part thereof) or any offering material in any country or jurisdiction where action for that purpose is required.

In relation to each Member State of the European Economic Area (other than Malta) which has implemented the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (the "Prospectus Directive") or which, pending such implementation, applies article 3.2 of the Prospectus Directive, the Bonds can only be offered to "qualified investors" (as defined in the Prospectus Directive) as well as in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to article 3 of the Prospectus Directive.

The Bonds have not been nor will they be registered under the United States Securities Act, 1933 as amended (the "1933 Act"), or under any Federal or State securities law and may not be offered, sold or otherwise transferred, directly or indirectly in the United States of America, its territories or possessions, or any area subject to its jurisdiction (the "United States") or to or for the benefit of, directly or indirectly, any United States person (as defined in Regulation "S" of the 1933 Act, as amended from time to time). Furthermore the Issuer will not be registered under the United States Investment Company Act, 1940 (the "1940 Act") as amended and investors will not be entitled to the benefits of the 1940 Act.

WARNINGS

This Summary has to be read as an introduction to the Prospectus dated 10 May 2006 written in English (the "Prospectus") and composed of the following parts:

- 1. Summary of the Prospectus**
- 2. Registration Document**
- 3. Securities Note**

Any decision to invest in the Bonds has to be based on an exhaustive analysis by the investor of the Prospectus as a whole.

The Directors have tabled this Summary and applied for its notification and assume responsibility for its content, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds will be repayable in full upon maturity. Prospective investors should carefully consider all the information contained in the Prospectus as a whole and should consult their own independent financial and other professional advisers before deciding to make an investment in the Bonds.

DEFINITIONS

Words and expressions used in this Summary shall, except where the context otherwise requires, bear the same meaning as defined in the Registration Document forming part of the Prospectus.

Directors, Senior Management, Auditors and Advisers

Directors

As at the date of this Summary, the Board of Directors of the Issuer is composed of the following persons:

Christopher J. Pace	Chairman and Executive Director
Muni Krishna T. Reddy, GOSK	Deputy Chairman and Non-Executive Director
James Blake	Executive Director
Dawood A. Rawat	Non-Executive Director
Nicholas Ashford-Hodges	Non-Executive Director
Andrew Borg Cardona LL.D.	Non-Executive Director
Gary R. Marshall	Non-Executive Director

Company Secretary

Adrian Cutajar LL.D.

Board Committees

As at the date of this Summary, the Directors have established the following board committees:

Audit Committee

As at the date of the Prospectus, the Audit Committee is composed of Gary R. Marshall as chairman and Nicholas Ashford-Hodges and Andrew Borg Cardona LL.D. as members.

Nominations Committee

As at the date of the Prospectus, the Nominations Committee is composed of Christopher J. Pace as chairman and Dawood A. Rawat and Muni Krishna T. Reddy, GOSK as members.

Remuneration Committee

As at the date of the Prospectus, the Remuneration Committee is composed of Muni Krishna T. Reddy, GOSK as chairman and Nicholas Ashford-Hodges and Andrew Borg Cardona LL.D. as members.

Investment Committee

As at the date of the Prospectus, the Investment Committee is composed of Christopher J. Pace as chairman and Nicholas Ashford-Hodges and Muni Krishna T. Reddy, GOSK as members.

Senior Management

As at the date of this Summary, the senior management of the Issuer is composed of the following:

Nicholas Portelli	Chief Executive Officer
Adrian Bonett	Chief Operations Officer
James Blake	Investor and Public Relations
Ian Zammit	Chief Officer Property Services
Oliver Said	Chief Officer Business Development
Kenneth Spiteri	Chief Sales Officer
Kevin Vella	Chief Financial Officer
Adrian Galea	Chief Risk Officer
Simon Grima	Head of Internal Audit
Marise Muscat	Head of Compliance

SUMMARY

Remuneration of Directors and Senior Management

The following is the total of the Directors' emoluments for the financial year ended 31 December 2005:

Fees	Lm 36,872
Remuneration	Lm 111,059
Total Emoluments	Lm 147,931

Two of the Directors availed themselves of the use of a company car during the year and the estimated value of these benefits have been included within Directors' remuneration. The Directors are also entitled to participate in a health insurance scheme subsidised by the Group.

The members of senior management are remunerated by way of salary and are, in addition, entitled to bonuses linked to performance of the individual business segments and the overall performance of the Group.

Auditors

The financial statements of the Issuer for the financial years ended 31 December 2003, 2004 and 2005 have been audited by PricewaterhouseCoopers, Certified Public Accountants, of 167, Merchants Street, Valletta, Malta.

Advisers to the Issuer

Reporting Accountants

PricewaterhouseCoopers
167, Merchants Street,
Valletta,
Malta

Legal Advisers to the Issuer

Zammit Pace & Co. Advocates
215/1 Old Bakery Street,
Valletta,
Malta

Manager and Registrar

HSBC Bank Malta p.l.c.
233, Republic Street,
Valletta
Malta

Sponsor

HSBC Stockbrokers (Malta) Ltd.
233, Republic Street,
Valletta
Malta

SUMMARY

Offer Statistics

Issuer:	Global Financial Services Group p.l.c., a company registered in Malta with registration number C 19526.
ISIN:	MT0000073412
Amount:	€10,000,000, subject to the Over-allotment Option described below.
Over-allotment Option:	at the sole and absolute discretion of the Issuer, additional Bonds not exceeding €7,000,000 in value, issued at par, may be issued to cover any outstanding Applications in the event of over-subscription.
Form:	The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the Central Securities Depository.
Denomination:	Euro €.
Minimum amount per subscription:	Minimum of two thousand five hundred Euro (€2,500) and integral multiples of one hundred Euro (€100) thereafter.
Maturity Date:	02 June 2016 (subject to Early Redemption at the option of the Issuer, described below).
Bond Issue Price:	At par (€100 per Bond).
Status of the Bonds:	The Bonds constitute the general, direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves and, save for such exceptions as may be provided by applicable law, with all other outstanding, unsubordinated and unsecured obligations of the Issuer, present and future.
Listing:	Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List.
Offer Period:	The period between 18 May 2006 and 26 May 2006 (or such earlier date as may be determined by the Issuer in the event of over-subscription) during which the Bonds are on offer.
Interest:	five point six per cent. (5.6%) per annum.
Yield:	The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at maturity is five point six per cent. (5.6%).
Interest Payment Date(s):	02 June of each year, between 2007 and the year in which the Bonds are redeemed (both years included), provided that if any such day is not a Business Day (as defined on page 17 of the Registration Document), such Interest Payment Date will be carried over to the next following day that is a Business Day.
Redemption Value:	At par (€100 per Bond).
Early Redemption at the option of the Issuer:	The Issuer has the option to redeem all or any part of the Bonds at their nominal value on 02 June 2014 or 02 June 2015 by giving not less than sixty (60) days prior notice to Bondholders.
Underwriting:	The Offer of €10,000,000 5.6% Bonds will be underwritten as to 50% by HSBC Bank Malta p.l.c. pursuant to an underwriting agreement dated 04 May 2006 as further set out in the Prospectus.
Manager and Registrar:	HSBC Bank Malta p.l.c.
Sponsor:	HSBC Stockbrokers (Malta) Ltd.
Notices:	Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of twenty-four (24) hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholder at his/her registered address and posted.
Governing Law:	The Bonds are governed by and shall be construed in accordance with Maltese law.
Submission to Jurisdiction:	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds shall be brought exclusively before the Maltese Courts.

SUMMARY

Expected Time-table of Principal Events

Application Forms available	11 May 2006
Opening of Subscription Lists	18 May 2006
Closing of Subscription Lists	26 May 2006
Announcement of Basis of Acceptance	02 June 2006
Commencement of interest on the Bonds	03 June 2006
Expected dispatch of Allotment Advice and Refunds of Unallocated Monies	09 June 2006

The Issuer reserves the right to close the Offer before the 26 May 2006 in the event of over-subscription, in which case, the remaining events set out in the "Expected Time-table of Principal Events" shall be anticipated in the same chronological order in such a way as to retain the same number of Business Days between the said principal events.

Key Information

Selected Financial Data

	Year ended 31 December		
	2005 Lm	2004 Lm (restated)	2003 Lm (restated)
Operating profit	1,703,343	1,313,430	282,976
Investment income, net of allocation to the insurance technical account	945,334	122,955	238,641
Investment charges and expenses	(23,074)	(32,733)	(51,386)
Profit before tax	2,625,603	1,403,652	470,231
Income tax expense	(1,011,809)	(344,205)	(167,312)
Profit for the financial year	1,613,794	1,059,447	302,919
Earnings per share (cents)	12c2	8c0	2c3
Total equity	11,197,503	9,970,029	8,996,432
Total assets	28,457,635	22,062,824	16,789,567

SUMMARY

Capital and Indebtedness

Share Capital

	2005 Lm	Group 2004 Lm	2003 Lm
Authorised			
30,000,000 Ordinary shares of 12c5 each	3,750,000	3,750,000	3,750,000
Issued and fully paid			
13,207,548 Ordinary shares of 12c5 each	1,650,943	1,650,943	1,650,943

Borrowings

	2005 Lm	Group 2004 Lm	2003 Lm
Bank loan	1,240,259	359,378	430,984
Bank overdraft	95,637	24,917	12,656
Loan from related party	-	-	27,192
Total borrowings	1,335,896	384,295	470,832

The Issuer's financial statements are prepared on a consolidated basis disregarding any inter-company liabilities within the Group. Other than as set out in the Prospectus, the Issuer and the Group have no other material borrowings or indebtedness which are outstanding.

Save as provided in condition 4.5 under the Terms and Conditions of the Bonds on page 46 of the Prospectus nothing in the Prospectus shall be construed as to prevent the Issuer and the Group from incurring any further borrowings or indebtedness nor from creating or permitting to subsist any other security interest upon the whole or any part of the Issuer's or the Group's present or future, undertaking, assets or revenues (including uncalled capital).

Reasons for the Offer and Use of Proceeds

The net proceeds from the issue of the Bonds will be used by the Issuer for the general financing purposes of the Issuer and the Group and in particular to reorganise the Group's inter-company borrowings and fund the expansion of the Group's operations in its principal business segments. This will include, but will not be limited to, the expansion of the Group's life assurance operation, the development of pension fund administration and servicing capabilities and investment in quality immovable properties both locally and overseas. The Issuer will also be looking to anticipate and take advantage of new business opportunities arising, that fit the Group's criteria for growth.

Risk Factors

An investment in the Bonds involves certain risks. Prospective investors should carefully consider, with their own independent financial and other professional advisers, the following risk factors and other investment considerations as well as all the other information contained in the Prospectus before deciding to make an investment in the Bonds.

The Prospectus contains forward-looking statements which by their nature involve substantial risks and uncertainties, certain of which are beyond the Issuer's control. No assurance can be given that future results or expectations covered by such forward-looking statements will be achieved.

Risks Relating to the Issuer

The Issuer is subject to a number of risks which could have an adverse affect on the business of the Group, its products and services, the value of its assets and results of operations. These risks include:

- market and economic conditions generally as well as those affecting the Group's business segments, such as financial market volatility and fluctuations in interest rates, exchange rates and property prices;
- the highly competitive nature of the Group's business, particularly in the financial services sector;
- reliance on important business arrangements such as those with reinsurers, with principals and suppliers and with certain customers;
- risks arising from the Group's treasury management operations, other operational risks inherent in the Group's business, exposure to counter-party risks and risks peculiar to the overseas jurisdictions in which the Group may undertake any business activity;
- risks arising from the concentration of ownership in the hands of any of the Issuer's shareholders and from dilution in the shareholding interest of any of its shareholders;
- changes in the laws and regulations to which the Group is subject, including changes in the interpretation thereof;
- other factors over which the Issuer has no control such as catastrophic events, terrorist attacks and other acts of war or hostility.

Risks relating to the Bonds

An investment in the Bonds involves certain risks including those described below:

- It is not possible to predict the price at which the Bonds will trade on the secondary market nor can there be any assurance that an active secondary market for the Bonds will develop;
- An investor in the Bonds will bear the risk of fluctuations in exchange rates between the currency of denomination of the Bonds and the investor's currency of reference;
- The Bonds are subject to early redemption, at the option of the Issuer, in 2014 and 2015, upon giving advance notice to Bondholders and Bondholders may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate equivalent to that of the Bonds being redeemed;
- A number of security interests protecting third party interests are identified on page 40 of the Securities Note which will rank in priority to Bondholders against the assets of the Group for so long as such security interests remain in effect;
- The Issuer has not sought the credit rating of an independent rating agency and there has been no assessment by any independent rating agency of the Bonds.

Information on the Issuer

History and Development

The Issuer is a parent company with subsidiaries operating primarily in four different business segments:

- investment and advisory services
- life assurance business
- insurance agency and broking activities
- property development, management and consultancy

The Issuer was registered in Malta on 21 December 1995 with registration number C 19526. It is regulated under the Companies Act, 1995 (Cap. 386, Laws of Malta) as a limited liability public company. Its ordinary shares were listed on the Official List of the Malta Stock Exchange on 6 March 2001. On 24 May 2002 the Issuer changed its name from "Globe Financial Management p.l.c." to GloBAI Financial Services Group p.l.c. and completed the acquisition of the local operations of British American Insurance Co. (Mtius.) Ltd. on 16 January 2003.

The Issuer's registered office and principal place of business is situated at 120, The Strand, Gzira, Malta. It has 4 other offices in Malta, located in Portomaso, Balzan, Fgura and Qormi and 1 office in Victoria, Gozo. In February 2006 the Issuer opened a representative office in Tripoli, Libya.

Business Overview - Principal activities

Investment and Advisory Services

The Issuer is currently engaged, through its wholly owned subsidiaries GlobalCapital Financial Management Limited ("GCFM") and GlobalCapital Fund Advisors Limited ("GCFA"), in the sale of investment and retirement planning products, local and international stockbroking and fund advisory and administration services.

GCFM employs an open-architecture policy designed to offer customers a wide variety of investment products originating from a range of product suppliers. Its product range includes a variety of investment and retirement planning products, structured products, retail investment funds and also experienced investor and professional investor funds. GCFM has entered into non-exclusive distribution arrangements with a number of suppliers and is the exclusive distributor in Malta for Aberdeen Asset Management PLC, a fund management company which is listed on the London Stock Exchange and which, as at 31 December 2005, manages in excess of Stg.70 billion. GCFM also focuses on product innovation, private labelling of structured investment products originated by third party suppliers and the promotion of investment funds under the umbrella of Global Funds SICAV p.l.c. ("Global Funds"). In addition GCFM provides local and international stockbroking services on recognised investment exchanges and investment advice to private clients.

GCFA provides investment advice to non-private clients, principally, the sub-funds of Global Funds. GCFA also holds MFSA recognition to provide fund administration services and has developed the infrastructure for pension fund administration.

Life Assurance Business

The Group is engaged, through its wholly owned subsidiary, GlobalCapital Life Insurance Limited ("GCLI"), in life assurance business.

GCLI is engaged principally in ordinary life assurance business (interest sensitive and term) and industrial life assurance business (home service). It provides both single premium and regular premium saving products and a range of life assurance products, including term, interest-sensitive endowment, life assurance and group life policies.

Insurance Agency and Broking Activities

The Group is also engaged in insurance agency and insurance broking activity through GlobalCapital Health Insurance Agency Limited ("GCHIA") and GlobalCapital Insurance Brokers Limited ("GCIB") respectively.

GCHIA is the exclusive agent in Malta for BUPA Insurance Limited ("BUPA") and acts as insurance agent for Sickness Insurance (General Business). BUPA is a global health and care organisation with more than seven million members and over 40,000 employees in 192 countries. As the exclusive agent in Malta for BUPA, GCHIA is engaged in the promotion, administration and provision of health insurance cover for individuals and groups in Malta.

GCIB carries on business as insurance broker and was established with a view to complementing the Group's core insurance activities. Through GCIB, the Group offers a complete range of insurance services ranging from personal insurance to commercial and industrial insurance cover.

Property

The Group holds immovable property both locally and overseas through subsidiaries as set out on page 26 of the Registration Document under the heading "Investments". The immovable property interests of the Group are managed through a wholly owned subsidiary GlobalCapital Property Management Limited ("GCPM"). GCPM provides property management and consultancy services within the Group and identifies investment opportunities both locally and overseas. GCPM also manages property acquisitions, disposals and development projects on behalf of the Group.

The Issuer has on 11 April 2006 established another wholly owned subsidiary GlobalCapital Property Advisors Limited ("GCPA") to conduct real estate agency business.

Operating and Financial Review and Prospects

Operating and Financial Review

During the financial year ending 31 December 2005 the Group has registered a profit before tax of Lm2,625,603. This represents an increase of 87.1% over the previous year's corresponding restated profit of Lm1,403,652. Operating profit increased to Lm1,703,343 in 2005 from Lm1,313,430 in 2004. Earnings per share have increased by 52.5% from 8c0 in 2004 to 12c2 in 2005.

The Group's net asset base continued to strengthen over the year. The capital and reserves attributable to the company's Shareholders increased from Lm9,970,029 at the end of 2004 to Lm11,197,503 (+12.3%) as at 31 December 2005. The results for the year ended 31 December 2005 represent a return on shareholders' funds of 14.4 % (2004: 10.6 %).

From a segmental point of view, all divisions have registered positive results in 2005. The investment and advisory services division has returned a result of Lm821,259, an increase of 14.0% over the 2004 result of Lm720,446. This improvement is mainly attributable to an increase of 43% in initial fees earned on new business introduced.

Similarly, the business of insurance division returned positive and improved results from Lm289,942 in 2004 to Lm814,444 in 2005. This is a direct result of healthier investment returns in general over the corresponding period in the previous year.

The agency and broking division registered a positive result of Lm10,956 in 2005, overturning a negative result of Lm30,421 in 2004 which was primarily due to the start up costs of the insurance broking business.

In 2005, the Group has continued to expand its property and development business and has increased activity in both local and international property markets. This division delivered a segmental result of Lm56,684 in the financial year ending 31 December 2005. The previous year result of Lm493,707 is mainly attributed to the disposal of a number of properties held by the Group, proceeds from which were partly utilised in developing other property projects which are currently in progress.

Included in the 2005 results for the investment and advisory services division is a performance fee of Lm716,772 (2004: Lm580,891) earned by GCFA in accordance with the terms of its investment advisory agreement with Global Funds. Performance fees are determined with reference to the actual performance of the underlying funds of Global Funds in excess of an agreed threshold during each accounting period ending 31 July.

Taking a composite view of its operations, the Group has continued to consolidate its position within the local investments and insurance market. Healthy increases have been recorded in the last three years in the annual volume of both investment and insurance business undertaken by the Group.

Prospects

The Prospectus does not contain any profit forecast or estimates.

Employees

As at 31 March 2006 the Issuer employed 137 employees as follows:

	Number of Employees
Managerial and Supervisory	36
Sales and Marketing	40
Administrative	61
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	137
	<hr style="width: 100%; border: 0.5px solid black;"/>

SUMMARY

Major Shareholders and Related Party Transactions

Interests of Major Shareholders

As at 31 March 2006 the following hold in excess of 5% of the Issuer's ordinary shares:

	Ordinary shares	%
British American Insurance Co. (Mtius.) Ltd	6,359, 243	48.15
Globe Financial Investments Limited	2,302, 233	17.43
Aberdeen Asset Management PLC	1,180,000	8.93

Summary of related-party transactions

Transactions during the year with related parties, including Directors, and entities related by way of common Directors and ultimate Shareholders, were as follows:

	2005 Lm	Group 2004 Lm	2003 Lm
Commission receivable from related parties	120,316	185,359	107,213
Commission receivable on investments made by Global Funds SICAV p.l.c.	16,027	13,598	39,434
Fees receivable in respect of advice provided to Global Funds SICAV p.l.c.	785,416	659,370	110,738
Rent payable to companies with common ultimate Shareholders	16,874	75,000	132,469
Income receivable from Globe Financial Stockbrokers Limited	-	-	2,746

Financial Information

Historical Financial Information

Selected historical financial information for the three financial years ending 31 December 2003, 2004 and 2005 is set out on page 9 of the Prospectus.

The Issuer was registered in Malta as a limited liability company under the Commercial Partnerships Ordinance, 1962 (Cap. 168, Laws of Malta) in 1995, and with effect from 31 December 1997 complied with the Companies Act, 1995 (Cap. 386, Laws of Malta) under which it is regulated.

In terms of the Companies Act, 1995 (Cap. 386, Laws of Malta), the Issuer has since 1997 drawn up its annual statutory financial statements in accordance with International Financial Reporting Standards. These annual statutory financial statements are filed with the Registrar of Companies in terms of law and are available for public inspection.

Financial Statements

An Accountants' Report including the audited statutory financial statements for the Group for the financial years ending 31 December 2003, 2004 and 2005 is set out in Appendix 1.

Auditing of Historical Annual Financial Information

The consolidated and separate annual statutory financial statements of the Issuer have been audited since incorporation by PricewaterhouseCoopers.

Age of latest financial information

The latest audited financial information available in respect of the Group relates to the financial year ended on 31 December 2005 and was approved for issuance by the Board of Directors on 24 March 2006.

Interim and other Financial Information

No interim or other financial information has been issued by the Group since the audited statutory financial statements for the year ended 31 December 2005.

Details on the Offer

Admission to Trading

Application has been made to the Listing Authority for the admission of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List.

Distribution

The Issuer may enter into conditional placement agreements with financial intermediaries and institutional investors prior to the commencement of the Offer Period whereby the Issuer binds itself to allocate to such financial intermediaries and institutional investors, which shall bind themselves to purchase, upon closing of subscription lists, an amount not exceeding fifty per cent (50%) in aggregate of the Bonds.

During the Offer Period, Applications for subscription to the Bonds may be made through any of the Authorised Distributors whose names are set out in Appendix 4 on page 112 of the Prospectus.

Estimated Expenses of the Offer

Professional fees, publicity, advertising, printing, listing, registration, underwriting, sponsor, management and registrar fees and other miscellaneous costs incurred in connection with this Offer, are estimated not to exceed €250,000 and shall be borne by the Issuer.

Selling commission is payable to Authorised Distributors. Each Authorised Distributor shall be entitled to a selling commission on the value of the Bonds allotted to Applicants applying through such Authorised Distributor at the rate of 0.75%.

Additional Information

Share Capital

The Issuer's authorised share capital as at the date of this Summary is Lm3,750,000 divided into 30,000,000 ordinary shares of 12c5 each. The Issuer's issued share capital as at the date of this Summary is Lm 1,650,943 divided into 13,207,548 ordinary shares of 12c5 each. The ordinary shares of the Issuer which have been fully paid up rank *pari passu*. The Issuer has no other classes of shares.

Memorandum and Articles of Association

The Memorandum and Articles of Association of the Issuer may be inspected, free of charge at the registered office of GloBAI Financial Services Group p.l.c., at 120, The Strand, Gzira, GZR03, Malta.

Documents on Display

The following documents (or copies thereof where applicable) may be inspected at the registered office of the Issuer at 120, The Strand, Gzira, GZR03, Malta:

- The Memorandum and Articles of Association of the Issuer;
- The audited financial statements of the Issuer for each of the financial years ending 31 December 2003, 2004 and 2005.

PART 2 - REGISTRATION DOCUMENT

This document is a Registration Document issued in accordance with the provisions of Chapter 6 of the Listing Rules issued by the Listing Authority and the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

This Registration Document is issued pursuant to the requirements of listing rule 6.4.2 of the Listing Rules and contains information about Global Financial Services Group p.l.c. (the "Issuer") as the issuer of securities for which application has been made for admission to listing and trading on the Malta Stock Exchange. This document should be read in conjunction with the most updated Securities Note issued by the Issuer from time to time that will provide the details of the securities to which it relates.

This document is dated 10 May 2006.

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1. DEFINITIONS

In the Prospectus the following words and expressions shall bear the following meanings except where the context otherwise requires:

"Act"	The Companies Act, 1995, Cap. 386, Laws of Malta;
"Advisers"	The Advisers to the Issuer whose names and addresses are set out under the heading "Advisers to the issuer" on page 19 of this Registration Document;
"Applicant"	A person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
"Application/s"	The application/s to subscribe for Bonds made by an Applicant by completing an Application Form and delivering it to the Registrar or to any of the Authorised Distributors;
"Application Form"	The form of application of subscription for the Bonds, a specimen of which is set out in Appendix 3 of this Prospectus;
"Authorised Distributors"	The financial intermediaries set out in Appendix 4 of this Prospectus;
"Bond/s"	The €10,000,000 5.6% Bonds due 02 June 2016 (subject to the Issuer's option to redeem all or any part of the Bonds at their nominal value on 02 June 2014 and 02 June 2015) of a nominal value of €100 per Bond and any additional Bonds of a nominal value of €100 per Bond, which the Issuer may issue under the Over-allotment Option to meet any outstanding Applications in the event of over-subscription;
"Bondholders"	The holders of the Bonds, each a "Bondholder";
"Bond Issue"	The issue of €10,000,000 5.6% Bonds due 02 June 2016 (subject to the Issuer's option to redeem all or any part of the Bonds at their nominal value on 02 June 2014 and 02 June 2015) of a nominal value of €100 each Bond;
"Bond Issue Price"	The price of €100 for each Bond;
"British American"	British American Insurance Co. (Mtius.) Ltd., a company incorporated in Mauritius with registration number 7513;
"Business Day"	Any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
"Central Securities Depository"	The Central Securities Depository of the Malta Stock Exchange established pursuant to Chapter 4 of the Malta Stock Exchange Bye-Laws;
"Directors" or "Board of Directors"	The Directors of the Issuer whose names and addresses are set out under the heading "Directors of the Issuer" on page 30 of this Registration Document;
"Euro" or "€"	The single currency recognised as legal tender by the member countries of the European Monetary Union;
"GCFA"	GlobalCapital Fund Advisors Limited formerly Globe Fund Advisors Limited, a company registered in Malta with registration number C 25703;
"GCFM"	GlobalCapital Financial Management Limited formerly Globe Financial Management Limited, a company registered in Malta with registration number C 30053;
"GCHIA"	GlobalCapital Health Insurance Agency Limited formerly BUPA Agencies Limited, a company registered in Malta with registration number C 6393;
"GCIB"	GlobalCapital Insurance Brokers Limited formerly MY Insurance Brokers Limited, a company registered in Malta with registration number C 32451;
"GCLI"	GlobalCapital Life Insurance Limited formerly British American Insurance Co. (Malta) Ltd, a company registered in Malta with registration number C 29086;
"GCPA"	GlobalCapital Property Advisors Limited, a company registered in Malta with registration number C 38411;
"GCPM"	GlobalCapital Property Management Limited formerly Quadrant Limited, a company registered in Malta with registration number C 33181;

1. DEFINITIONS - continued

"GPL"	Globe Properties Limited, a company registered in Malta with registration number C 27976;
"Group"	The Issuer and any subsidiary undertakings (as defined in article 2(2) of the Act) thereof;
"HSBC Bank", "Underwriter", "Manager" or "Registrar"	HSBC Bank Malta p.l.c. which is authorised to conduct banking and investment services business by the Malta Financial Services Authority;
"HSBC Stockbrokers" or "Sponsor"	HSBC Stockbrokers (Malta) Ltd which is authorised to conduct investment services business by the Malta Financial Services Authority;
"Interest Payment Date"	02 June of each year, between 2007 and the year in which the Bonds are redeemed (both years included), provided that if any such day is not a Business Day, such Interest Payment Date will be carried over to the next following day that is a Business Day;
"Issuer"	Global Financial Services Group p.l.c., a company registered in Malta with registration number C 19526;
"Listing Authority"	The MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act, 1990, Cap. 345, Laws of Malta by virtue of L.N. 1 of 2003;
"Listing Rules"	The Listing Rules of the Listing Authority;
"MFSA"	The Malta Financial Services Authority established in terms of the Malta Financial Services Authority Act, 1988, Cap. 330, Laws of Malta;
"Malta Stock Exchange", "Exchange" or "MSE"	The Malta Stock Exchange established by the Financial Markets Act, 1990, Cap. 345, Laws of Malta;
"Maltese Liri" or "Lm"	The lawful currency of the Republic of Malta;
"Maturity Date"	02 June 2016 (subject to the Issuer's option to redeem all or any part of the Bonds at their nominal value on 02 June 2014 or 02 June 2015 by giving not less than sixty (60) days prior notice);
"Offer Period"	The period between 18 May 2006 and 26 May 2006 (or such earlier date as may be determined by the Issuer) during which the Bonds are on offer;
"Offer"	The invitation to subscribe for Bonds contained in this Prospectus;
"Official List"	The list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
"Over-allotment Option"	The right reserved in favour of the Issuer to offer for subscription, at the sole and absolute discretion of the Issuer, additional Bonds not exceeding €7,000,000 in value having a nominal value of €100 per Bond at the Bond Issue Price, to cover any outstanding Applications in the event of over-subscription;
"Prospectus"	This document in its entirety, comprising the Summary, the Registration Document and the Securities Note;
"Redemption Value"	€100 for each Bond;
"Registration Document"	The document set out as Part 2, on pages 16 to 37 (both pages included) of this Prospectus;
"Securities Note"	The document set out as Part 3, in pages 38 to 55 (both pages included) of this Prospectus and which is also available separately from this Prospectus;
"Sterling", "Stg." or "£"	The lawful currency of the United Kingdom;
"Summary"	The document set out as Part 1, on pages 3 to 15 (both pages included) of this Prospectus and which is also available separately from this Prospectus;

All references in this Prospectus to "Malta" are to the "Republic of Malta":
Unless it appears otherwise from the context:

- (a) words importing the singular shall include the plural and vice-versa;
- (b) words importing the masculine gender shall include also the feminine gender and vice-versa;
- (c) the word "may" shall be construed as permissive and the word "shall" shall be construed as imperative.

2. PERSONS RESPONSIBLE

This document includes information given in compliance with the Listing Rules of the Listing Authority for the purpose of giving information with regard to the Issuer. All of the Directors whose names appear on page 30, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

3. STATUTORY AUDITORS

The financial statements of the Issuer for the financial years ended 31 December 2003, 2004 and 2005 have been audited by PricewaterhouseCoopers of 167, Merchants Street, Valletta, Malta. PricewaterhouseCoopers is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act, 1979 (Cap. 281, Laws of Malta).

4. ADVISERS TO THE ISSUER

Reporting Accountants

PricewaterhouseCoopers
167, Merchants Street, Valletta, Malta

Legal Advisers to the Issuer

Zammit Pace & Co. Advocates
215/1 Old Bakery Street, Valletta, Malta

Manager and Registrar

HSBC Bank Malta p.l.c.
233, Republic Street, Valletta, Malta

Sponsor

HSBC Stockbrokers (Malta) Ltd
233, Republic Street, Valletta, Malta

As at the date of this Registration Document, the advisers named herein under the heading "Advisers to the Issuer" have no beneficial interests in the share capital of the Issuer.

5. SELECTED FINANCIAL INFORMATION

Selected consolidated financial information regarding the Group covering the period 2003 to 2005 is set out below.

	Year ended 31 December		
	2005	Group	
	Lm	2004	2003
		Lm	Lm
		(restated)	(restated)
Operating profit	1,703,343	1,313,430	282,976
Investment income, net of allocation to the insurance technical account	945,334	122,955	238,641
Investment charges and expenses	(23,074)	(32,733)	(51,386)
Profit before tax	2,625,603	1,403,652	470,231
Income tax expense	(1,011,809)	(344,205)	(167,312)
Profit for the financial year	1,613,794	1,059,447	302,919
Earnings per share (cents)	12c2	8c0	2c3
Total equity	11,197,503	9,970,029	8,996,432
Total assets	28,457,635	22,062,824	16,789,567

More detailed financial information on the Issuer is set out in the Accountants' Report in Appendix 1.

6. RISK FACTORS

An investment in the Bonds involves certain risks including those described below. Prospective investors should carefully consider, with their own independent financial and other professional advisers, the following risk factors and other investment considerations as well as all the other information contained in this Prospectus before deciding to make an investment in the Bonds. Some of these risks are subject to contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingencies occurring. The sequence in which the risks below are listed is not intended to be indicative of any order of priority or of the extent of their consequences.

This document contains forward-looking statements, relating to the Issuer's objectives and plans and other statements of expectation and belief, which can be identified by the use of forward-looking terminology such as "expect", "may", "will", "could", "intend", "estimate", or "anticipate" or the negative thereof or other variations or comparable terminology. No assurance can be given that future results or expectations covered by such forward-looking statements will be achieved. These statements by their nature involve substantial risks and uncertainties, certain of which are beyond the Issuer's control. The following factors could cause actual experience to vary materially from the matters covered in such forward-looking statements.

Risks relating to the Issuer

Market and economic conditions

The Issuer is a parent company with subsidiaries engaged primarily in investment and advisory services, life assurance business, insurance agency and broking activities and property development and management. All of the Group's business segments are affected by market conditions which can cause results to fluctuate from year to year as well as on a long-term basis.

The Group's income and profits or losses from its investment and advisory segment, may vary significantly from year to year as a result of market cycles, including volatile movements on the financial markets, in equity and bond prices, interest rates and exchange rates which may reduce investment and demand for investment products promoted or distributed by the Group. A decline in the financial markets could also have an adverse effect on the Group's ability to earn advisory and other fees based on performance. The Group's investment and life assurance segments are also influenced by returns dependent to a significant extent on the health of the financial markets, both locally and overseas.

While the Group seeks to spread its investments in relatively liquid assets such as government bonds and blue chip equities, its local stock market investments may be affected by the relatively low liquidity of the local market as a whole. Protracted market declines, both locally and internationally, can also reduce the liquidity of the Group's assets which can in turn have an adverse effect on the Group's operations including its insurance related segments which are required to maintain strict solvency margins. If the Group requires significant amounts of cash on short notice in excess of anticipated cash requirements at a time when some or any of its assets have low liquidity it may have difficulty selling these investments in a timely manner at the fair values at which these investments are reflected in its financial statements. This potential constraint may be more marked in the case of securities listed on the local stock market.

The Group's property segment will be influenced by the health of the property market, both locally and overseas, and fluctuations in property prices. Confidence in the property markets in which the Group is active may be expected to have a beneficial effect on the value of the Group's assets and income streams. Conversely an increase in supply and/or a reduction in demand in the property markets in which the Group is active could impact negatively upon the Group's capital value, income streams and its investment strategy.

Demographics, inflation, interest rates, consumer and business spending, recession, unemployment and other such factors which are beyond the Issuer's control, including general economic conditions, may also influence the Group's overall performance and results.

While the Group's diversification across its different business segments may serve to mitigate the Group's dependence on any one business sector it does not eliminate such dependence and there can be no guarantee as to the level of success that will be achieved by the Group, its results of operations or financial condition generally. Nor can there be any guarantee that the measures which may be implemented by the Group to mitigate its investment risk will be effective in any given economic or market circumstances or at all.

Any adverse economic, market or other circumstances which may impact negatively on the Group's operations may be accentuated in their impact on the Group's future results as they may in turn necessitate the impairment of goodwill carried on the Group's balance sheet.

Competition

The financial services industry is highly competitive and the Group faces substantial competitive pressures which could adversely affect the Issuer's results of operations and profitability. Competition in the financial services industry is affected by the increasing tendency for institutional providers, both at national and international level, to offer a wide range of services across the markets in which the Issuer operates. The Group therefore competes with other investment services and insurance providers, which include the divisions, subsidiaries and/or associated companies of national and multi-national banking, insurance and other financial services groups.

As the local financial services sector continues to mature, local competitors may be expected to increase the scale of their operations. The Group is therefore expected to face substantial competition domestically. Consumer demand, technological advances, regulatory trends and other factors may also encourage greater competition, including from overseas. Since May 2004, the Group faces increasing competition as a result of the ability of EU and EEA institutions to passport their activities and services into Malta. Cross-border competition may also be expected to increase as a result of the implementation of the Euro in Malta.

Competitive pressures could result in a reduction in margins on a number of the Group's products and services and may affect the Issuer's ability to maintain or increase profitability. Competition is also expected to result in increased pressures on the availability of technical and qualified human resources and this in turn may pose a challenge to the retention by the Group of its key personnel. The Group is also subject to the risks intrinsic to any new product lines or business segments which it may develop or undertake.

Concentration of Ownership

As at 31 March 2006, British American Insurance Co. (Mtius.) Ltd has a 48.15% interest in the issued share capital of the Issuer while Globe Financial Investments Limited and Aberdeen Asset Management PLC hold respectively 17.43% and 8.93% of the issued share capital of the Issuer. There can be no assurance that such shareholders will not, at any time following the Bond Issue, increase or decrease their shareholding whether to a significant extent or otherwise. Concentration of ownership in the hands of the foregoing or any other shareholders may enable them, acting individually or in concert, to exercise control over the Issuer and to have a significant role in the Group's development. Conversely a dilution in the shareholding interest of any of these shareholders may in turn lead to a decrease in the influence exercised by such shareholders over the Issuer and the Group. The interests of such shareholders might not always coincide with the interests of the Issuer or Bondholders.

Business Arrangements

The Group is dependent on a number of important business arrangements including those with reinsurers for the placement of reinsurance protection and with principals and suppliers with whom agency or distribution arrangements are in place for the marketing of investment products. These include arrangements with Aberdeen Asset Management PLC and BUPA Insurance Limited. The Group also has important arrangements with customers amongst which, those with Global Funds SICAV p.l.c. The termination or modification of these or any other material arrangements for any reason whatsoever (including any reason beyond the Issuer's control), could have a significant and adverse effect on the Issuer's business and operations, particularly if the Issuer is not able to renew or replace these arrangements with alternative arrangements on similar or equally favourable terms.

Treasury Management

The Group's treasury management operations are subject to market fluctuations and to the risks inherent in all investments, including the market and economic risks described above. While the Group seeks to mitigate investment risk through a well diversified portfolio, the Group's investments may from time to time lead to exposure that is higher than that normally associated with a diversified portfolio. In addition the Group's local stock market operations may also be constrained by a limited supply of local investment opportunities and low liquidity.

Operational Risks

The operational risks that the Group faces, given the inherent nature of financial services, include the possibility of inadequate or failed internal or external processes or systems, human error, regulatory breaches, employee misconduct or external events such as fraud. These events could potentially result in financial loss as well as harm to the Issuer and the Group's reputation. Additionally the Issuer attributes great importance to the retention of key employees, the loss of whom could adversely affect the Issuer's operations and results.

The Issuer's business inherently generates operational risks. The business is dependant on processing a large number of complex transactions across numerous and diverse products and services, and is subject to a number of different legal and regulatory requirements. Additionally, because of the nature of the Group's business, accurate records have to be maintained for significant periods.

The Issuer seeks to manage operational risks at appropriate levels by maintaining a well controlled environment through the introduction and implementation of sound control policies and procedures in the light of the characteristics of its business, the relevant markets and the regulatory environments in which it operates. While these control measures mitigate operational risks they do not eliminate them.

Counter-party Risks

The Group is also subject to various counter-party risks. Third parties that owe the Group money, securities or other assets may not pay or perform under their obligations. These parties may include financial intermediaries, reinsurers, customers, tenants, and other counterparties, including counterparties under transactions involving the sale, acquisition or disposal of property. These parties may default on their obligations to the Group due to insolvency, lack of liquidity, market or economic downturns, operational failure or other reasons beyond the Issuer's control.

Applicable Law and Regulation

The Group's financial services divisions operate in a highly regulated environment. GCFM and GCFA are licensed by the MFSA under the Investment Services Act, 1994 (Cap. 370, Laws of Malta). GCLI and GCHIA are authorised by the MFSA under the Insurance Business Act, 1998 (Cap. 403, Laws of Malta) and GCIB is enrolled under the Insurance Brokers and Other Intermediaries Act, 1998 (Cap. 404, Laws of Malta). The laws and regulations to which the Group is subject are intended, *inter alia*, to ensure the sound and prudent management of the business and resources of regulated entities and the maintenance of adequate solvency margins. Such laws and regulations are, however, intended principally for the benefit of customers and policy holders rather than investors in the Issuer. The Group is also subject to environmental, health and safety, property and planning laws and regulations, particularly, though not exclusively, in relation to its property division.

The timing and effects of changes in the laws and regulations to which the Group is subject, including changes in the interpretation thereof cannot be predicted, are beyond the control of the Issuer, and could have an adverse affect on the business, financial condition and results of operations of the Group.

Country Specific Risks

The Issuer aims to take advantage of overseas business opportunities which may arise from time to time. This may entail investment in business undertakings or property situated in developed as well as in less developed jurisdictions. Each of these jurisdictions may present specific risks. In particular less developed economies and economies undergoing periods of transition or reform may subject the Issuer to political, economic, market and legal/regulatory conditions and uncertainties different to those normally associated with more developed economies.

Catastrophic events, terrorist attacks and other acts of war or hostility

Catastrophic events, terrorist attacks and other acts of war or hostility, and responses to those acts may create economic and political uncertainties, which could have a negative impact on economic conditions in the region/s in which the Group operates and, more specifically, on its business and results in ways that cannot be predicted.

7. INFORMATION ABOUT THE ISSUER

History and development of the Issuer

The Issuer is a parent company with subsidiaries operating primarily in four different business segments:

- investment and advisory services
- life assurance business
- insurance agency and broking activities
- property development, management and consultancy

The Group's investment and advisory services, life assurance business and insurance agency and broking activities are subject to various laws and regulations as more fully set out above under the heading "**Risk Factors - Applicable Law and Regulation**".

The Issuer was registered in Malta as a private limited liability company under registration number C 19526 and is domiciled in Malta. It was incorporated on the 21 December 1995 for an unlimited duration under the Commercial Partnerships Ordinance, 1962 (Cap. 168, Laws of Malta) and with effect from 31 December 1997 complied with the Companies Act, 1995 (Cap. 386, Laws of Malta) under which it is regulated.

The status of the Issuer was changed to that of a public limited liability company (p.l.c.) on 18 July 2000 and its ordinary shares were listed on the Official List of the Malta Stock Exchange on 6 March 2001. On 24 May 2002 the Issuer changed its name from "Globe Financial Management p.l.c." to "GloBAI Financial Services Group p.l.c." and completed the acquisition of the local operations of British American Insurance Co. (Mtius.) Ltd. ("British American") on 16 January 2003 (the "Merger"). As a result of the Merger the Issuer acquired a 100% interest in GlobalCapital Life Insurance Limited ("GCLI"), formerly British American Insurance Co. (Malta) Ltd, which carries on life assurance business and GlobalCapital Health Insurance Agency Limited ("GCHIA"), formerly BUPA Agencies Limited, which acts as an insurance agent.

Notice has been given of a resolution to change the name of the Issuer from "GloBAI Financial Services Group p.l.c." to "GlobalCapital p.l.c." with effect from 30 June 2006, to be considered for approval at the Issuer's annual general meeting to be held on 24 May 2006. This change forms part of a wider re-branding exercise across the Issuer's subsidiaries with a view to enhancing the Group's singular identity in each of the markets in which it operates.

The Issuer's registered office is situated at 120, The Strand, Gzira, Malta. It has 4 offices in Malta, located in Portomaso, Balzan, Fgura and Qormi and 1 office in Victoria, Gozo. The Balzan office also accommodates a back office centre which serves the operational, finance and administrative requirements of the Group and its customers. In February 2006 the Issuer opened a representative office in Tripoli, Libya.

As at 31 March 2006 the Issuer employed 137 employees as follows:

	Number of Employees
Managerial and Supervisory	36
Sales and Marketing	40
Administrative	61
	<hr/> 137 <hr/>

8. BUSINESS OVERVIEW

Principal activities

Investment and Advisory Services

Introduction

The Issuer is currently engaged, through its wholly owned subsidiary GlobalCapital Financial Management Limited ("GCFM") which operates in the investment services division, in the distribution of investment and retirement planning products, structured products, investment funds and stockbroking activity. Through its wholly owned subsidiary, GlobalCapital Fund Advisors Ltd ("GCFA") which operates within the investment advisory sector, the Issuer also provides market research, fund advisory and administration services to institutional clients.

GCFM (formerly, Globe Financial Management Limited) was incorporated on 1 August 2002 for unlimited duration under the Companies Act, 1995 (Cap. 386, Laws of Malta), with registration number C 30053. It has a subscribed and fully paid up share capital of Lm2,549,500. Its registered office is situated at 120, The Strand, Gzira, Malta.

GCFA (formerly, Globe Fund Advisors Limited) was incorporated on 10 January 2000 for unlimited duration under the Companies Act, 1995 (Cap. 386, Laws of Malta) with registration number C 25703. It has a subscribed and fully paid up share capital of Lm50,000. Its registered office is situated at 120, The Strand, Gzira, Malta.

Products and Services

GCFM is licensed to provide investment services under a Category 2 licence issued by the MFSA in terms of the Investment Services Act, 1994 (Cap. 370, Laws of Malta). It provides a range of investment services including dealing as agent, arranging deals, the provision of investment advice, nominee services and stockbroking services. GCFM is authorised to hold and control clients' money and assets but not to deal for its own account or underwrite.

The investment services business conducted by the Group was commenced by one of its shareholders, Globe Financial Investments Limited, in 1987. The Group has been active in the distribution of investment products and investment funds since 1995 and with effect from 1 November 2002, GCFM took control of the Issuer's investment services operations. The Group has since diversified its product ranges to include a variety of investment and retirement planning products, structured products, retail investment funds and also experienced investor and professional investor funds. GCFM employs an open-architecture policy designed to offer customers a wide variety of investment products originating from a range of product suppliers. As at the date of this Registration Document, GCFM has non-exclusive distribution arrangements with international brokers and a range of local and international investment product suppliers. Moreover, it is the exclusive distributor in Malta for Aberdeen Asset Management PLC for which it also provides back office administration services. Aberdeen Asset Management PLC is a fund management company which is listed on the London Stock Exchange and which, as at 31 December 2005 managed in excess of Stg.70 billion. The risks associated with such arrangements are set out on page 21 of the Prospectus under the heading "**Risks relating to the Issuer – Business Arrangements**".

GCFM also focuses on product innovation, private labelling of structured investment products originated by third party suppliers and the promotion of investment funds under the umbrella of Global Funds SICAV p.l.c. ("Global Funds"). In addition GCFM provides local and international stockbroking services on recognised investment exchanges and investment advice to private clients.

The Group is also engaged in the provision of investment advice to non-private clients, principally, the sub-funds of Global Funds through GCFA which is licensed under a Category 1b licence issued by the MFSA in terms of the Investment Services Act, 1994 (Cap. 370, Laws of Malta). GCFA is not authorised to hold or control clients' money or assets, nor to deal for its own account or underwrite. In June 2005, GCFA also acquired MFSA recognition to provide fund administration services and has developed the infrastructure for pension fund administration in anticipation of the pension reform proposed by the Government of Malta.

Life Assurance Business

Introduction

The Issuer is engaged, through its wholly owned subsidiary, GlobalCapital Life Insurance Limited ("GCLI"), in life assurance business.

GCLI (formerly, British American Insurance Co. (Malta) Ltd) was incorporated on 21 December 2001 for unlimited duration under the Companies Act, 1995 (Cap. 386, Laws of Malta), with registration number C 29086. It has a subscribed and fully paid up share capital of Lm3,400,000. Its registered office is situated at 120, The Strand, Gzira, Malta.

Products and Services

GCLI is authorised by the MFSA to carry on long-term business of insurance in Malta as principal under Class I (Life and Annuity) in terms of the Insurance Business Act, 1998 (Cap. 403, Laws of Malta). With effect from 15 January 2003, GCLI succeeded to the Maltese insurance business portfolio of British American which had been carrying out life assurance business in Malta since 1965. GCLI is engaged principally in ordinary life assurance business (interest sensitive and term) and industrial life assurance business (home service). It provides both single premium and regular premium saving products and a range of life assurance products, including term, interest-sensitive endowment, life assurance and group life policies.

The integration of GCLI within the overall activities of the Group has provided effective synergies in the Group's ability to develop new products and offer customers a range of products to suit their particular profiles, requirements and disposition to risk. GCLI's products have been designed to spread the incidence of policy acquisition costs and minimise the initial solvency constraints resulting from new business. Further details on GCLI's life fund are set out under the heading "**Investments**" on page 26 of the Prospectus.

It is envisaged that proceeds from the Bond Issue will be utilised, in part, to reorganise GCLI's current shareholders' asset structure which will allow GCLI to seek new investment opportunities with the aim of improving future returns on the life fund for the benefit of policyholders and the Group.

Insurance Agency and Broking Activities

Introduction

The Issuer is also engaged in insurance agency and insurance broking activity through GlobalCapital Health Insurance Agency Limited ("GCHIA") and GlobalCapital Insurance Brokers Limited ("GCIB") respectively. GCHIA is a subsidiary in which the Issuer holds a 93.33% interest. GCIB is a wholly owned Group subsidiary.

GCHIA, (formerly BUPA Agencies Limited) was incorporated on 7 June 1983 for unlimited duration under the Commercial Partnerships Ordinance, 1962 (Cap. 168, Laws of Malta) with registration number C 6393 and with effect from 31 December 1997 complied with the Companies Act, 1995 under which it is regulated. GCHIA has a fully paid up share capital of Lm75,000 divided into 70,000 ordinary "A" shares of Lm1.00 each held by GCLI and 5,000 non-profit participating "B" shares of Lm1.00 each held by BUPA Investments Limited of BUPA House, 15 – 19 Bloomsbury Way, London WC1A 2BA, United Kingdom. The "A" ordinary shares are designated as profit participating shares while the "B" ordinary shares are designated as non-profit participating shares. All of the ordinary shares carry voting rights. GCHIA's registered office is situated at 120, The Strand, Gzira, Malta.

GCIB (formerly, MY Insurance Brokers Limited) was incorporated on 14 November 2003 for unlimited duration under the Companies Act, 1995 (Cap. 386, Laws of Malta) with registration number C 32451. GCIB has a subscribed and fully paid up share capital of Lm145,000. Its registered office is situated at 120, The Strand, Gzira, Malta.

Insurance Agency

GCHIA is the exclusive agent in Malta for BUPA Insurance Limited ("BUPA") and is duly licensed by the MFSA to act as insurance agent for Sickness Insurance (General Business). BUPA is a leading health insurance service provider established in 1971 and with a client base of 8 million lives worldwide as at 31 December 2005. The agency activity conducted in Malta by GCHIA represented the first BUPA agency of its sort outside the United Kingdom. As the exclusive agent in Malta for BUPA, GCHIA is engaged in the promotion, administration and provision of health insurance cover for individuals and groups in Malta. GCHIA also provides BUPA with client and back office support services in respect of its local business in Malta. The risks associated with this arrangement are set out on page 21 of the Prospectus under the heading "**Risks relating to the Issuer – Business Arrangements**".

Insurance Broking

GCIB is enrolled in the Brokers List and is authorised to carry on business of insurance broker by the MFSA in terms of the Insurance Brokers and Other Intermediaries Act, 1998 (Cap. 404, Laws of Malta). GCIB was established with a view to complementing the Group's core insurance activities. Through GCIB, the Group offers a complete range of insurance services ranging from personal insurance to commercial and industrial insurance cover.

Property

Introduction

The Group holds immovable property both locally and overseas through subsidiaries as set out on page 26 under the heading "**Investments**". The immovable property interests of the Group are managed through its wholly owned subsidiary GlobalCapital Property Management Limited ("GCPM"). GCPM (formerly, Quadrant Limited) was incorporated on 11 February 2004 for unlimited duration under the Companies Act, 1995, with registration number C 33181. It has a subscribed and fully paid up share capital of Lm500. Its registered office is situated at 120, The Strand, Gzira, Malta. The Group also carries out real estate agency business through GlobalCapital Property Advisors Limited ("GCPA"), a wholly owned subsidiary of the Issuer. GCPA was incorporated on 11 April 2006 for unlimited duration under the Companies Act, 1995, with registration number C 38411.

Property Development, Management and Consultancy

GCPM provides property management and consultancy services within the Group. This division manages the immovable properties held by the Group and identifies investment opportunities both locally and overseas. GCPM also manages property acquisitions, disposals and development projects on behalf of the Group.

The Issuer considers that there is potential for developing GCPM's property consultancy related activities and is seeking to develop new areas of business for the Group in relation to the provision of similar services to third parties. For this purpose the Issuer has established GCPA, as a wholly owned subsidiary to conduct business as a real estate agency.

Principal Markets

The Group's turnover as at the date of this Registration Document is generated primarily in and from Malta. The Group, however, continues to seek business opportunities overseas, primarily in the Middle East and North African regions and in February 2006 the Issuer opened a representative office in Tripoli, Libya.

The risks associated with the undertaking of business in overseas jurisdictions are set out on page 22 of the Prospectus under the heading "**Risks relating to the Issuer – Country Specific Risks**".

Investments

The management of investments owned by the Group both in relation to Shareholders' funds and, in the case of life assurance operations, in relation to the life fund is one of the core activities of the Group. It is expected that the proceeds of the issue will enhance the critical mass which may be brought to bear on the Group's investment operations.

The Group aims to balance its investments between financial instruments, including both local and overseas bonds and equities, and immovable property. The Group seeks to mitigate investment risk through a spread between equities and fixed income securities, which tend to respond in opposite manners to changes in interest rates; and similarly to a spread between financial instruments and immovable property, demand for which tends to increase when confidence in financial markets is waning. The Issuer also attempts to mitigate investment risk through investment policies designed to minimise the risk associated with holdings in particular equities and bonds. Risk management is differentiated across the Group to recognise the varying needs of the separate business components. As with any activity of this nature, however, there can be no guarantee that any of these measures will be effective to mitigate the Group's investment risk in any given economic and market circumstances.

The portfolio of investments supporting the life fund is, at present, determined by the Directors by reference to actuarial advice, with a view to securing an income yielding portfolio which is consistent, in terms of performance and risk, with the normal market expectations of policyholders. The precise components of this portfolio may be expected to vary from time to time, subject to the investment parameters established by the Directors.

During 2005 the Group has continued to strengthen its investment property base. As at 31 December 2005, the Group owned investment property which it carried in its financial statements at Lm4,054,239 (2004 – Lm2,030,833). The Group is currently seeking to achieve in broad terms a balance between property held for development purposes and property held for long term income and capital appreciation. It is expected that the proceeds of the Bond Issue will assist the Issuer in achieving this balance, in the short term, by increasing the Group's holdings of immovable property held for income generation and long term capital appreciation purposes.

While the overall components of the Group's investment portfolio may also be expected to change over the life of the Bond, in response to market conditions, regulatory constraints and liquidity requirements, it is expected that as the Bond approaches maturity, a higher proportion of the Group's investment portfolio will be retained in readily realisable investments.

As at 31 December 2005, the Group had entered into commitments for the purchase of property amounting to Lm829,013. It is not expected that any significant amount of the proceeds of the Bond Issue will be utilised to meet these commitments. The Group's immovable property investments as at 31 December 2005 included the following significant items:

Metropolis Developments Limited

On 26 January 2005, Central Landmark Development Limited ("CLD"), a wholly owned subsidiary of the Group, subscribed to 43% of the share capital of Metropolis Developments Limited ("Metropolis"). Metropolis acquired an investment property, for the price of Lm3,500,000, and which is intended for development as a multi-million liri lifestyle development with both residential and commercial units. The application process for a full development permit in respect of this site is currently underway. It is not anticipated that any significant amount of the proceeds from the Bonds will be utilized to finance the future funding requirements of this development.

The Group's investment in Metropolis features in the Issuer's balance sheet as an investment in an associate and is not included within the investment property referred to above which is carried in the Issuer's financial statements at Lm4,054,239 as at 31 December 2005.

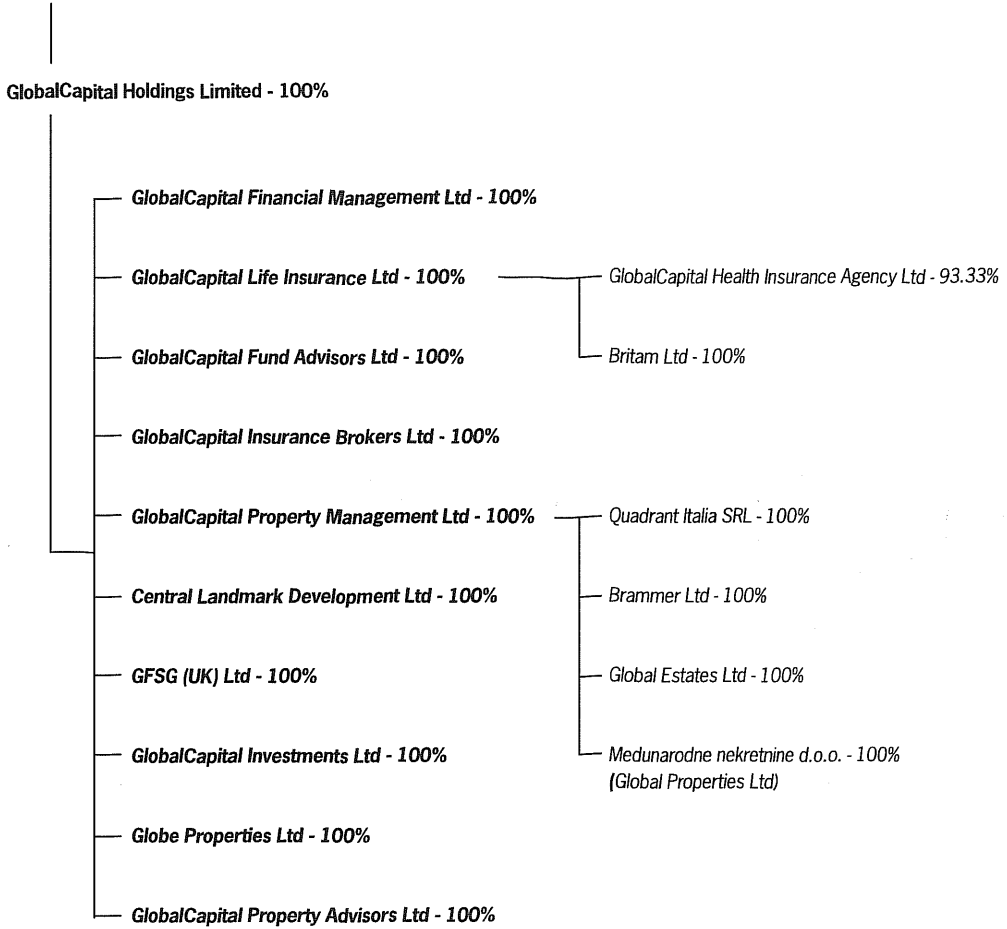
Property in Collalto Sabino, (Rieti), Italy

Following the fulfilment, in the first quarter of 2006, of contractual obligations outstanding in December 2005, the Group acquired title to immovable property situated in Collalto Sabino, in the vicinity of Rome for a consideration of €3,250,000. The property comprises buildings and land measuring in its entirety approximately 11,000 square metres. The property is held by the Group as an investment property for development. It is not anticipated that any significant amount of the proceeds from the Bonds will be utilised to finance the development of this property. The value of this property is included within the investment property referred to above.

9. ORGANISATIONAL STRUCTURE

The Issuer is the parent company of the Group. The diagram below summarises the group structure as at the date of this Registration Document.

GLOBAL FINANCIAL SERVICES GROUP p.l.c.



10. TREND INFORMATION

During the financial year ending 31 December 2005 the Group has registered a profit before tax of Lm2,625,603. This represents an increase of 87.1% over the previous year's corresponding restated profit of Lm1,403,652. Operating profit increased to Lm1,703,343 in 2005 from Lm1,313,430 in 2004. Earnings per share have increased by 52.5% from 8c0 in 2004 to 12c2 in 2005.

The Group's net asset base continued to strengthen over the year. The capital and reserves attributable to the Issuer's shareholders increased from Lm9,970,029 at the end of 2004 to Lm11,197,503 (+12.3%) as at 31 December 2005. The results for the year ended 31 December 2005 represent a return on shareholders' funds of 14.4% (2004: 10.6%).

From a segmental point of view, all divisions have registered positive results in 2005. The investment and advisory services division has returned a result before goodwill of Lm821,259, an increase of 14.0% over the 2004 result of Lm720,446. This improvement is mainly attributable to an increase of 43% in initial fees earned on new business introduced.

Similarly, the business of insurance division returned positive and improved results before goodwill from Lm289,942 in 2004 to Lm814,444 in 2005. This is a direct result of healthier investment returns in general over the corresponding period in the previous year.

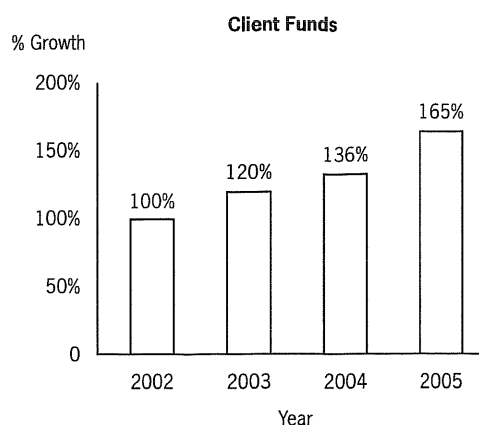
The agency and broking division registered a positive result of Lm10,956 in 2005, overturning a negative result of Lm30,421 in 2004 which was primarily due to the start up costs of the insurance broking business.

In 2005 the Group has continued to expand its property and development business and has increased activity in both local and international property markets. This division delivered a segmental result of Lm56,684 in the financial year ending 31 December 2005. The previous year result of Lm493,707 is mainly attributed to the disposal of a number of properties held by the Group, proceeds from which were partly utilised in developing other property projects which are currently in progress.

Included in the 2005 results for the investment and advisory services division is a performance fee of Lm716,772 (2004: Lm580,891) earned by GCFA in accordance with the terms of its investment advisory agreement with Global Funds. Performance fees are determined with reference to the actual performance of the underlying funds of Global Funds in excess of an agreed threshold during each accounting period ending 31 July.

Taking a composite view of its operations, the Group has continued to consolidate its position within the local investments and insurance market. Healthy increases have been recorded in the last three years in the annual volume of both investment and insurance business undertaken by the Group.

The following diagram illustrates the growth in percentage terms in client funds (including the life fund of GCLI) invested through the Group since 2002:



Since the acquisition of the local operations of British American in 2003, the Group has invested considerably in its infrastructure to enable it to integrate and grow its operations, particularly in the following areas:

- Customer services – investment in customer relationship management software to improve customer service across the Group;
- Human resources – recruitment of qualified staff and the provision of continuous training programmes to ensure a high degree of specialisation and service levels;
- Product development – within the investment and life assurance divisions to meet client expectations and demand for new products;
- Back office – new IT systems and specialised resources to meet the demands of growth and to apply the Group's enhanced resources to the provision of client and back office support services.

In 2005, Aberdeen Asset Management PLC ("Aberdeen") increased its shareholding in the Issuer from 5.3% to 8.93%. As at 31 December 2005 Aberdeen managed client funds, including pension funds, in excess of Stg. 70 billion. The increase in Aberdeen's shareholding interest in the Issuer coincides with the Issuer's efforts to develop pension fund administration and product distribution capabilities. The Issuer has already invested in specialised IT software and human resources training and will be seeking to take advantage of any new opportunities that may arise in its business as a result of the proposed legislative reform in the local pensions sector and its relationship with Aberdeen.

In June 2005 the MFSA issued a circular informing interested parties of its plans to introduce new standard licence conditions relating to performance fees payable to retail fund managers or advisers (Securities Circular 1/05). MFSA's proposed requirements were revised in December 2005. Under these proposals the new conditions will apply to both new and existing local retail collective investment schemes and if implemented would have an adverse effect on the Group's prospects to continue to generate performance fee income to any material extent under its contractual arrangements with Global Funds. GCFA has made formal representations to MFSA objecting to the implementation of the proposed standard licence conditions in relation to its existing performance fee arrangements.

In the first quarter of 2006 the Group opened a representative office in Libya after having obtained a licence from the Libyan General People's Committee for Economy and Trade. This office is intended to promote the Issuer in Libya and to facilitate business cooperation in the North African region. The Issuer does not carry out a trading activity from its office in Libya. The opening of this office forms part of the Issuer's strategy to identify and evaluate new business opportunities overseas.

Save for the foregoing there are no trends, uncertainties, demands, commitments, or events, known to the Directors, that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year.

11. PROFIT FORECASTS OR ESTIMATES

The Registration Document does not contain any profit forecast or estimates.

12. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

The Directors are appointed by election at the annual general meeting of the Issuer. In accordance with the Issuer's articles of association, a shareholder holding 14% or more of the voting rights, or a number of shareholders who between them hold 14% or more, of the issued share capital of the Issuer shall appoint one director for every such 14% holding by letter addressed to the Issuer. All shares not utilised to make appointments as aforesaid shall be entitled to vote in the election of directors at the annual general meeting of the Issuer.

The Chairman of the Board of Directors, is, in terms of the articles of association of the Issuer, appointed from amongst the appointed Directors by any member holding in the aggregate at least 40% of all voting rights of the Issuer. In the absence of any member having the required holding of voting rights, the Chairman will be appointed by the Board of Directors.

The Directors are responsible for the general governance of the Issuer, its proper administration and management and for the general supervision of its affairs. The day-to-day management of the Issuer is delegated by the Directors to an Executive Committee consisting of the Issuer's senior executives.

Directors of the Issuer

As at the date of the Prospectus the Board of Directors of the Issuer is composed of the following persons:

Executive Directors:

Christopher J. Pace, Chairman, of 329, Triq in-Nixxiegha, Santa Maria Estate, Mellieha, Malta, founded Globe Financial Investments Limited, the Issuer's predecessor in 1987 and has been the driving force behind the development and growth of the Group. He is principally responsible for overseeing the implementation of the Group's strategy and the identification and establishment of new Group initiatives. As at the date of this Prospectus, he chairs the Nominations Committee and the Investment Committee of the Group and is also Director and Chairman of GCFM, GCFA, GCLI, GCHIA and GCIB.

James A. Blake of 11, Triq il-Markiz J. Scicluna, Madliena, Malta, has been closely involved in the development of the Issuer since its origin and has held various directorships within the Group including that of Managing Director and Deputy Chairman of the Issuer and also Chairman of GCHIA. He is currently a member of the Executive Committee and is responsible for public and investor relations. In March 2006, Mr. Blake was elected Chairman of the College of Stockbroking Firms.

Non-Executive Directors:

Muni Krishna T. Reddy, GOSK, Deputy Chairman, of 22, Angus Lane, Vacaos, Mauritius, was appointed to the Board of Directors in March 2003 and Deputy Chairman of the Issuer in December 2004. He is also the Chairman of State Bank of Mauritius Limited Group ("SBM Group"), a financial services group in Mauritius, after having been the Chief Executive of the SBM Group for over 16 years until October 2003. Before taking charge of the SBM Group as Chief Executive in 1987, he worked in the banking sector in India and Singapore. Besides chairmanship of the SBM Group, he is Chairman of SBM Nedbank International Ltd, and Chairman of Banque SBM Madagascar. He is a Director of a number of companies in Mauritius, Europe and U.S.A., including Mittal Steel Company NV, a listed company on Euronext (Amsterdam), and New York (USA). He was conferred the Grand Officer of the Order of the Star and Key of the Indian Ocean (GOSK), one of the highest Government of Mauritius National Awards, "for meritorious and excellent services to the banking industry and for significant contribution to the economic development of Mauritius".

Dawood A. Rawat of 71, Harley House, Marleybone Road, London, United Kingdom, was appointed to the Board of Directors in March 2003. He is Chairman of the British American Group of Companies founded in The Bahamas in 1920. He is also Chairman of British American Investment Co. (Mtius.) Ltd. He is actively involved in the operations of the British American Group of Companies in the Americas, Europe and Africa/Mediterranean.

Nicholas Ashford-Hodges of 29, Saint Luke's Road, Old Windsor, Berkshire, United Kingdom, was appointed to the Board of Directors in March 2003 and was Deputy Chairman of the Issuer until December 2004. A Chartered Accountant by profession, he is the President of British-American (UK) Ltd, a United Kingdom based representative office for the British American Group of Companies. He is also a non-executive Chairman of British American Insurance Co. (Mtius.) Ltd, and sits on many of the subsidiary boards of the British American Group.

Andrew Borg Cardona LL.D. of 171, Main Street, Lija, Malta, is a practising lawyer and has been a member of the Board of Directors since 1995. Through his membership of the Group's various standing committees his main role has been and remains to oversee legal, compliance and regulatory issues. Apart from his legal practice, he currently acts as Chief Executive for the Tobacco Industry Council and sits as Chairman of the Customs and Excise Tax Appeals Board.

Gary R. Marshall of One Bow Churchyard, London, United Kingdom, was appointed to the Board of Directors in July 2002. A fellow of the Faculty of Actuaries, he is a member of Aberdeen's Executive Committee, heading the Aberdeen Group's Marketing Division. He is Chief Executive of Aberdeen Unit Trust Managers Limited and also Chief Executive of the Group's life company, Aberdeen Asset Management Life and Pensions Limited. He sits on the Boards of Aberdeen's Dublin and Luxembourg based funds and the Group's UK asset management subsidiary, Aberdeen Asset Managers Limited.

Company Secretary

Adrian Cutajar LL.D. obtained a Doctorate in Laws from the University of Malta and joined the Group in 2003. He was appointed Company Secretary of the Issuer in October 2004 and presently holds the post of Group Corporate Lawyer. Dr. Cutajar also serves as Company Secretary to a number of Group subsidiaries.

Senior Management

As at the date of this Registration Document, the senior management of the Issuer is composed of the following:

Nicholas Portelli	Chief Executive Officer
Adrian Bonett	Chief Operations Officer
James Blake	Investor and Public Relations
Ian Zammit	Chief Officer Property Services
Oliver Said	Chief Officer Business Development
Kenneth Spiteri	Chief Sales Officer
Kevin Vella	Chief Financial Officer
Adrian Galea	Chief Risk Officer
Simon Grima	Head of Internal Audit
Marise Muscat	Head of Compliance

The members of Senior Management have their business address at 120, The Strand Gzira, Malta.

Interests of Directors

Directors' interests in the share capital of the Issuer

	As at 31 March 2006 Shares	As at 31 December 2005 Shares
James A. Blake	323,800	323,800
Andrew Borg Cardona LL.D.	10,000	10,000

Dawood A. Rawat has a 42.48% beneficial interest in British American Insurance Co. (Mtius.) Ltd. Reference is made to the heading "**Major Shareholders**" on page 33 of this Registration Document in relation to the shareholding of British American Insurance Co. (Mtius.) Ltd. in the Issuer.

Christopher J. Pace has a 99.99% beneficial interest in Globe Financial Investments Limited. Reference is made to the heading "**Major Shareholders**" on page 33 of this Registration Document in relation to the shareholding of Globe Financial Investments Limited in the Issuer.

Save for the matters disclosed on pages 31 and 33 under the headings "**Interests of Directors**", "**Interests of Major Shareholders**" and "**Related-party Transactions**" there are no known potential conflicts of interests between any duties to the Issuer of the persons referred to above under the headings "**Directors of the Issuer**" and "**Senior Management**" and their private interests and/or other duties.

Remuneration of Directors and Senior Management

The Board of Directors determines the remuneration of non-executive directors, including remuneration of members of the Remuneration Committee. The Issuer's Chairman together with the other executive director of the Issuer are employed under an indefinite contract of service.

In accordance with the Issuer's articles of association, the total emoluments payable to all Directors, whether as fees and/or salaries by virtue of holding employment with the Issuer, is subject to shareholder approval at general meeting.

The following is the total of the Directors' emoluments for the financial year ended 31 December 2005:

Fees	Lm 36,872
Remuneration	Lm 111,059
Total Emoluments	Lm 147,931

Two of the Directors availed themselves of the use of a company car during the year and the estimated value of these benefits have been included within Directors' remuneration. The Directors are also entitled to participate in a health insurance scheme subsidised by the Group.

The members of senior management are employed under an indefinite contract of service. Senior executives are remunerated by way of salary and are, in addition, entitled to bonuses linked to performance of the individual business segments and the overall performance of the Group.

13. BOARD PRACTICES

Corporate Governance

The Board of Directors is committed to sound corporate governance and to best practice in this regard, guided by international codes on corporate governance. The Issuer has adopted the Code of Principles of Good Corporate Governance (the "Code") in conformity with best practice. The extent to which the Code has been adopted by the Issuer is set out in more detail on page 30 in the annual report and financial statements of the Issuer for the financial year ended 31 December 2005.

Board Committees

The Directors have established the following board committees:

Audit Committee
Nominations Committee
Remuneration Committee
Investment Committee

Audit Committee

The Audit Committee assists the Board of Directors in monitoring and reviewing the Group's financial performance, financial policies and internal control mechanisms. The Audit Committee also approves and reviews the Group's compliance plan, internal audit plan and risk management plan. The Committee is constituted entirely of non-executive Directors, independent of the Group's management.

The Audit Committee meets at least once every quarter. Meetings may also be convened at the request of the external auditors. The Issuer's external auditors are invited to attend Audit Committee meetings. The Issuer's Chief Financial Officer, Head of Internal Audit and Head of Compliance attend Audit Committee meetings strictly by invitation.

On 12 October 2004, the Listing Authority confirmed that the Audit Committee of Global Financial Services Group p.l.c. conforms to the requirements of MFSA Listing Rule 8.65.1 in terms of its independence.

As at the date of the Prospectus, the Audit Committee is composed of Gary R. Marshall as Chairman and Nicholas Ashford-Hodges and Andrew Borg Cardona LL.D. as members.

Nominations Committee

The Nominations Committee is responsible to recommend potential Directors for election by Shareholders at the annual general meeting of the Issuer. It also advises the Directors on the structure, size and composition of the Group's subsidiary boards, the appointment of senior executives and management and the development of a succession policy for senior executives and management. The Nominations Committee meets at least once every quarter.

As at the date of the Prospectus the Nominations Committee is composed of Christopher J. Pace as Chairman and Dawood A. Rawat and Muni Krishna T. Reddy, GOSK as members. The Issuer's Chief Executive Officer may also be invited to attend meetings of the Nominations Committee to participate in the appointment of senior management.

Remuneration Committee

The Board of Directors has established the Remuneration Committee to monitor, review and advise on the Group's remuneration policy and to make its recommendations to the Directors on the remuneration of senior executives and management.

As at the date of the Prospectus, the Remuneration Committee is composed of Muni Krishna T. Reddy, GOSK as Chairman and Nicholas Ashford-Hodges and Andrew Borg Cardona LL.D. as members.

Investment Committee

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

The Investment Committee meets at least once every quarter and, as at the date of the Prospectus, is composed of Christopher J. Pace as Chairman and Nicholas Ashford-Hodges and Muni Krishna T. Reddy, GOSK as members.

Internal Controls

The Group has established an internal audit department which reports to the Audit Committee. 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. The Group has also established a risk management department which is responsible for the identification and evaluation of key risks applicable to the various business activities of the Group. As the Group operates in the financial services sector its compliance department is responsible for overseeing the internal controls and regulatory processes that have been implemented within the Group. In the same way as the internal audit department and the risk management department, the compliance department reports to the Group's Audit Committee.

14. MAJOR SHAREHOLDERS**Interests of Major Shareholders**

The following hold in excess of 5% of the Issuer's ordinary shares as at 31 March 2006:

	Ordinary shares	%
British American Insurance Co. (Mtius.) Ltd	6,359, 243	48.15
Globe Financial Investments Limited	2,302, 233	17.43
Aberdeen Asset Management PLC	1,180,000	8.93

The risks associated with the concentration of ownership in the hands of any of the Issuer's Shareholders are described on page 21 of the Prospectus under the heading "**Risks relating to the Issuer – Concentration of Ownership**". In accordance with the principles of good corporate governance set out in Appendix 8.1 of the Listing Rules, the Audit Committee is responsible for reviewing the Group's procedures and internal control systems, with a view to ensuring *inter alia* that any control exercised by any of the Issuer's shareholders over the Group is not abused.

Related-party Transactions

Transactions during the year with related parties, including directors, and entities related by way of common Directors and ultimate Shareholders, were as follows:

	2005 Lm	Group 2004 Lm	2003 Lm
Commission receivable from related parties	120,316	185,359	107,213
Commission receivable on investments made by Global Funds SICAV p.l.c.	16,027	13,598	39,434
Fees receivable in respect of advice provided to Global Funds SICAV p.l.c.	785,416	659,370	110,738
Rent payable to companies with common ultimate Shareholders	16,874	75,000	132,469
Income receivable from Globe Financial Stockbrokers Limited	-	-	2,746

Further details on related-party transactions are set out in the Accountants' Report on page 107 of Appendix 1.

15. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

Historical Financial Information

Selected summary historical financial information for the three financial years ending 31 December 2003, 2004 and 2005 is set out below:

Profit and Loss Accounts

	Group		
	Year ended 31 December		
	2005	2004	2003
	Lm	Lm	Lm
		(restated)	(restated)
Turnover – commission and fees receivable	3,086,959	2,466,452	1,438,788
Balance on the long-term business of insurance technical account before tax	786,912	184,986	238,267
Increment in the value of in-force business	315,000	196,000	104,615
Gains on investment property	-	432,412	-
Other operating income	6,337	13,266	34,265
Administrative expenses	(1,788,124)	(1,496,041)	(1,260,217)
Commission payable and direct marketing costs	(453,359)	(323,401)	(112,498)
Impairment/amortisation of goodwill	(250,000)	(160,244)	(160,244)
Share of loss of associate undertaking	(382)	-	-
Operating profit	1,703,343	1,313,430	282,976
Investment income, net of allocation to the insurance technical account	945,334	122,955	238,641
Investment charges and expenses	(23,074)	(32,733)	(51,386)
Profit before tax	2,625,603	1,403,652	470,231
Income tax expense	(1,011,809)	(344,205)	(167,312)
Profit for the financial year	1,613,794	1,059,447	302,919
Earnings per share (cents)	12c2	8c0	2c3

Capital commitments

Commitments for capital expenditure outstanding as at 31 December 2005 were as follows:

	Group		
	2005	2004	2003
	Lm	Lm	Lm
Authorised and contracted:			
- computer software	122,000	50,000	60,000
- investment property	981,000	730,000	1,815,000
	1,103,000	780,000	1,875,000
Authorised but not contracted:			
- property, plant and equipment:	267,940	105,086	-

Subsequent to 31 December 2005, the Group entered into further commitments of Lm720,000 in relation to the acquisition of investment property. It is anticipated that more than 60% but not more than 80% of such commitments will be financed out of the proceeds of the Bond Issue.

Balance Sheets

	Group		
	As at 31 December		
	2005	2004	2003
	Lm	Lm	Lm
		(restated)	(restated)
ASSETS			
Intangible assets	3,658,957	3,707,682	3,628,572
Deferred income tax	34,095	48,496	118,931
Property, plant and equipment	2,234,835	2,119,161	2,272,350
Investment property	4,054,239	2,030,833	1,595,000
Investment in associated undertakings	1,388,518	-	-
Other investments	12,096,905	9,109,070	6,515,997
Taxation receivable	108,635	86,752	82,842
Reinsurers' share of technical provisions	498,776	529,700	37,937
Trade and other receivables	1,164,412	1,867,202	1,087,764
Cash and cash equivalents	3,218,263	2,563,928	1,450,174
Total assets	28,457,635	22,062,824	16,789,567
EQUITY AND LIABILITIES			
Capital and reserves			
attributable to the Company's Shareholders			
Share capital	1,650,943	1,650,943	1,650,943
Share premium account	7,285,496	7,285,496	7,285,496
Other reserves	472,578	252,187	195,687
Profit and loss account	1,788,486	781,403	(135,694)
Total equity	11,197,503	9,970,029	8,996,432
Technical provisions	13,783,937	10,661,655	6,678,395
Deferred income tax	517,915	27,772	124,321
Interest-bearing borrowings	1,335,896	384,295	470,832
Trade and other payables	1,237,495	838,728	481,065
Current income tax liabilities	384,889	180,345	38,522
Total liabilities	17,260,132	12,092,795	7,793,135
Total equity and liabilities	28,457,635	22,062,824	16,789,567

The Issuer was registered in Malta as a limited liability company under the Commercial Partnerships Ordinance, 1962 (Cap. 168, Laws of Malta) in 1995, and with effect from 31 December 1997 complied with the Companies Act, 1995 (Cap. 386, Laws of Malta) under which it is regulated.

In terms of the Companies Act, 1995 (Cap. 386, Laws of Malta), the Issuer has since 1997 drawn up its annual statutory financial statements in accordance with International Financial Reporting Standards. These annual statutory financial statements are filed with the Registrar of Companies in terms of law and are available for public inspection.

Financial Statements

An Accountants' Report including the audited statutory financial statements for the Group for the financial years ending 31 December 2003, 2004 and 2005 is set out in Appendix 1.

Auditing of Historical Annual Financial Information

The consolidated and separate annual statutory financial statements of the Issuer have been audited since incorporation by PricewaterhouseCoopers.

Age of latest Financial Information

The latest audited financial information available in respect of the Group relates to the financial year ended on 31 December 2005 and was approved for issuance by the Board of Directors on 24 March 2006.

Interim and other Financial Information

No interim or other financial information has been issued by the Group since the audited statutory financial statements for the year ended 31 December 2005.

Legal and arbitration proceedings

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during a period covering twelve months prior to the date of this Registration Document which may have, or have had, in the recent past significant effects on the financial position or profitability of the Issuer or the Group.

Significant change in the Issuer's Financial or Trading position

There has been no significant change in the financial or trading position of the Issuer or the Group which has occurred since 31 December 2005.

16. ADDITIONAL INFORMATION**Share Capital**

The Issuer's authorised share capital as at the date of this Registration Document is Lm3,750,000 divided into 30,000,000 ordinary shares of 12c5 each. The Issuer's issued share capital as at the date of this Registration Document is Lm 1,650,943 divided into 13,207,548 ordinary shares of 12c5 each. The ordinary shares of the Issuer which have been fully paid up rank *pari passu*. The Issuer has no other classes of shares.

Loan capital and Indebtedness

	Group		
	2005	2004	2003
	Lm	Lm	Lm
Long term – falling due after more than one year			
Bank loan	1,215,760	288,420	-
Short term – falling due within one year			
Bank overdraft	95,637	24,917	12,656
Bank loan	24,499	70,958	430,984
Loan from related party	-	-	27,192
	120,136	95,875	470,832
Total borrowings	1,335,896	384,295	470,832

REGISTRATION DOCUMENT

The bank loan carries interest at a floating rate and is secured by a pledge on investments, a hypothec on a subsidiary's assets and by a letter of undertaking from the Group. The bank loan bears interest at a rate of 4.5% (2004: 6.0% and 2003: 6.7%) per annum.

The maturity of long term borrowings is as follows:

	2005	Group 2004	2003
	Lm	Lm	Lm
Between 1 and 2 years	110,531	81,512	-
Between 2 and 5 years	366,603	206,908	-
Over 5 years	738,626	-	-
	1,215,760	288,420	-

The bank overdraft facility is secured by a pledge on investment, and bears interest at a floating interest rate of 4.35% (2004: 5.5% and 2003: 5.8%) per annum. As at 31 December 2003, the loan from a related-party was unsecured, carried interest at a fixed rate of 7% and was repayable on demand.

The Issuer's financial statements are prepared on a consolidated basis disregarding any inter-company liabilities within the Group. Other than as set out in this Prospectus, the Issuer and the Group have no other material borrowings or indebtedness which are outstanding.

Memorandum and Articles of Association

The Issuer is registered under the Act with registration number C 19526.

The principal objects and purposes of the Issuer are to carry on the business of a holding company, to employ its funds in the development and expansion of the business of the Group and to coordinate the administration, policies, management, supervision, control and other activities of the Group, as more fully set out in clause 3 of the Memorandum of Association of the Issuer.

17. MATERIAL CONTRACTS

There are no material contracts that are not entered into in the ordinary course of the Issuer's business, which could result in any Group member being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to Bondholders.

18. THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

Save for the auditor's report extracted from the 2005 audited financial statements of the Issuer, the Prospectus does not contain any statement or report attributed to any person as an expert. The 2005 audit report dated 24 March 2006 has been included in the Prospectus in the form and context in which it appears with the authorisation of PricewaterhouseCoopers which has given and has not withdrawn its consent to its inclusion herein. The Issuer confirms that the 2005 audit report dated 24 March 2006 has been accurately reproduced in the Prospectus and that there are no facts of which the Issuer is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

19. DOCUMENTS ON DISPLAY

For the life of the Registration Document the following documents (or copies thereof where applicable) may be inspected at the registered office of the Issuer at 120, The Strand, Gzira, GZR03, Malta:

- The Memorandum and Articles of Association of the Issuer;
- The audited financial statements of the Issuer for each of the financial years ending 31 December 2003, 2004 and 2005.

PART 3 - SECURITIES NOTE

This document is a Securities Note issued in accordance with the provisions of Chapter 6 of the Listing Rules issued by the Listing Authority and the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

This Securities Note is issued pursuant to the requirements of listing rule 6.4.3 of the Listing Rules and contains information about the Bonds being offered by Global Financial Services Group p.l.c. (the "Issuer"). Application has been made for the admission to listing and trading of the Bonds on the Malta Stock Exchange. This document should be read in conjunction with the most updated Registration Document issued by the Issuer from time to time that provides details of the Issuer.

This document is dated 10 May 2006

The Bonds constitute the general, direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank pari passu, without any priority or preference among themselves and, save for such exceptions as may be provided by applicable law, with all other outstanding, unsubordinated and unsecured obligations of the Issuer, present and future.

ISIN MT0000073412

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Words and expressions used in this Securities Note shall, except where the context otherwise requires, bear the same meaning as defined in the Registration Document forming part of the Prospectus.

1. PERSONS RESPONSIBLE

This document includes information given in compliance with the Listing Rules of the Listing Authority for the purpose of giving information with regard to the Issuer. All of the Directors whose names and functions appear on page 30, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

The financial statements of the Issuer for the financial years ended 31 December 2003, 2004 and 2005 have been audited by PricewaterhouseCoopers, Certified Public Accountants, of 167, Merchants Street, Valletta.

2. RISK FACTORS

Risks relating to the Bond

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds will be repayable in full upon maturity. An investment in the Bonds involves certain risks including those described below. Prospective investors should carefully consider, with their own independent financial and other professional advisers, the following risk factors and other investment considerations as well as all the other information contained in the Prospectus before deciding to make an investment in the Bonds. The sequence in which the risks below are listed is not intended to be indicative of any order of priority or of the extent of their consequences.

This document contains forward-looking statements, relating to the Issuer's objectives and plans and other statements of expectation and belief, which can be identified by the use of forward-looking terminology such as "expect", "may", "will", "could", "intend", "estimate", or "anticipate" or the negative thereof or other variations or comparable terminology. No assurance can be given that future results or expectations covered by such forward-looking statements will be achieved. These statements by their nature involve substantial risks and uncertainties, certain of which are beyond the Issuer's control. The following factors could cause actual experience to vary materially from the matters covered in such forward-looking statements.

Trading and Liquidity

There is currently no trading record in respect of the Bonds as there has never been a public market for the Bonds prior to the offering contained in the Prospectus. Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List. There can be no assurance, however, that an active secondary market for the Bonds will develop or, if it develops, that it will continue nor can there be any assurance that an investor will be able to re-sell his Bonds at or above the Bond Issue Price or at all.

A public trading market having the desired characteristics of depth, liquidity and orderliness depends on a number of factors including the presence in the market place of willing buyers and sellers of the Issuer's Bonds at any given time, which presence is dependent upon the individual decisions of investors over which the Issuer has no control. Many other factors over which the Issuer has no control may affect the trading market for, and trading value of, the Bonds. These factors include the time remaining to the maturity of the Bonds, the outstanding amount of the Bonds and the level, direction and volatility of market interest rates generally.

No prediction can be made about the effect which any future public offerings of the Issuer's securities or any takeover or merger activity involving the Issuer will have on the market price of the Bonds prevailing from time to time.

Credit Rating

The Issuer has not sought the credit rating of an independent rating agency and there has been no assessment by an independent rating agency of the Bonds.

Implementation of the Euro

An investor in the Bonds will bear the risk of fluctuations in exchange rates between the currency of denomination of the Bonds and the investor's currency of reference. In the case of an investor whose currency denomination is Maltese Lira such investor will continue to bear an exchange rate risk until such time as Malta adopts the Euro. While this risk has been mitigated since Malta joined the Exchange Rate Mechanism II, it has not been eliminated.

Redemption at the option of the Issuer

The Bonds are subject to early redemption, at the option of the Issuer in 2014 and 2015 upon giving advance notice to Bondholders as set out in condition 4.8 on page 47 under the Terms and Conditions of the Bonds. In the event that the Issuer redeems the Bonds at a time when prevailing interest rates are relatively low, Bondholders may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate equivalent to that of the Bonds being redeemed.

Prior Ranking Charges

A number of security interests protecting third party interests are identified on page 37 of the Registration Document which will rank in priority to Bondholders against the assets of the Group for so long as such security interests remain in effect. As at the date of the Prospectus these include a general hypothec of all its property in general, present and future and a special hypothec over the commercial area at ground floor level and on the two storeys known as Level 2 and Level 4 at 120, The Strand, Gzira by GGPL in favour of Bank of Valletta p.l.c. for the sum of €2,200,000 (equivalent to Lm980,000) and relative interests, to secure outstanding loan facilities with the said bank and a general hypothec of all its property in general, present and future and a special hypothec and special legal privilege over the property at 69, "Tottenham", Tigne Street, Sliema by GCFM in favour of Bank of Valletta p.l.c. for the sum of Lm500,000 and relative interests, to secure outstanding loan facilities with the said bank.

Independent Review and Advice

Each prospective purchaser of Bonds should determine whether an investment in the Bonds is appropriate in its particular circumstances and make an investment decision based on its own independent review of the financial condition and affairs and the creditworthiness of the Issuer, the Terms and Conditions of the Bonds and, in general, the information included in the complete Prospectus (and not only in this Securities Note) and should seek such professional advice (including, without limitation, tax, accounting, credit, legal and regulatory advice) as it deems appropriate under the circumstances.

Neither this Securities Note, nor any other parts of the Prospectus or any other information supplied in connection with any Bonds: (i) is intended to provide the basis of any credit or other evaluation; or (ii) should be considered as a recommendation by the Issuer or the Underwriter, Sponsor, Manager, Registrar or Authorised Distributors that any recipient of this Securities Note, any other part of the Prospectus or any other information supplied in connection with the Prospectus or any Bonds should purchase any Bonds.

3. KEY INFORMATION

Summarised Key Financial Information

	Year ended 31 December		
	2005 Lm	Group 2004 Lm (restated)	2003 Lm (restated)
Operating profit	1,703,343	1,313,430	282,976
Investment income, net of allocation to the insurance technical account	945,334	122,955	238,641
Investment charges and expenses	(23,074)	(32,733)	(51,386)
Profit before tax	2,625,603	1,403,652	470,231
Income tax expense	(1,011,809)	(344,205)	(167,312)
Profit for the financial year	1,613,794	1,059,447	302,919
Earnings per share (cents)	12c2	8c0	2c3
Total equity	11,197,503	9,970,029	8,996,432
Total assets	28,457,635	22,062,824	16,789,567

3. KEY INFORMATION - continued**Loan capital and borrowings**

	2005	2004	2003
	Lm	Lm	Lm
Long term – falling due after more than one year			
Bank loan	1,215,760	288,420	-
Short term – falling due within one year			
Bank overdraft	95,637	24,917	12,656
Bank loan	24,499	70,958	430,984
Loan from related party	-	-	27,192
	120,136	95,875	470,832
Total borrowings	1,335,896	384,295	470,832

The Issuer's financial statements are prepared on a consolidated basis disregarding any inter-company liabilities within the Group. Other than as set out in the Prospectus, the Issuer and the Group have no other material borrowings or indebtedness which are outstanding.

Save as provided in condition 4.5 under the Terms and Conditions of the Bonds on page 46 of the Prospectus nothing in the Prospectus shall be construed as to prevent the Issuer and the Group from incurring any further borrowings or indebtedness nor from creating or permitting to subsist any other security interest upon the whole or any part of the Issuer's or the Group's present or future, undertaking, assets or revenues (including uncalled capital).

Interest of natural and legal persons involved in the Offer

Potential investors should pay attention to the fact that various potential conflicts of interest may arise.

HSBC Bank Malta p.l.c. is acting as Underwriter, Manager, Registrar and Authorised Distributor and HSBC Stockbrokers (Malta) Ltd (which is a wholly owned subsidiary of HSBC Bank Malta p.l.c., together the "HSBC Group") is acting as Sponsor and Authorised Distributor in respect of the issue of the Bonds. Entities within the HSBC Group may effect transactions for their own account or for the account of customers, and hold positions in securities of the Issuer, or otherwise have an interest or relationship, such as an investment advisory or discretionary investment management relationship, which may give rise to a conflict of interest. In connection with these activities, the HSBC Group has rules and procedures which ensure, by way of disclosure or otherwise, that customers are treated fairly.

GCFM which is a wholly owned subsidiary of the Issuer is also an Authorised Distributor in respect of the issue of the Bonds. GCFM and the Group have rules and procedures which ensure, by way of disclosure or otherwise, that customers are treated fairly. In addition, as an Authorised Distributor, GCFM shall be effecting transactions for the account of customers on an "execution-only" basis without any advice being given or any discretion being exercised.

Reasons for the Offer and use of Proceeds

The net proceeds from the issue of the Bonds will be used by the Issuer for the general financing purposes of the Issuer and the Group and in particular to reorganise the Group's inter-company borrowings and fund the expansion of the Group's operations in its principal business segments. This will include, but will not be limited to, the expansion of the Group's life assurance operation, the enhancement of the Group's pension fund administration and servicing capability and investment in quality property both locally and overseas. The Issuer will also be looking to anticipate and take advantage of new business opportunities arising, that fit the Group's criteria for growth.

While the Directors consider that the Issuer's asset base is adequate to meet the demands of its present business operations and immediate plans for future capacity during the current financial year, it is expected that the proceeds of the issue will enhance the critical mass which may be brought to bear on the Group's business operations generally.

Estimated Expenses of the Offer

Professional fees, publicity, advertising, printing, listing, registration, underwriting, sponsor, management and registrar fees and other miscellaneous costs incurred in connection with this Offer, are estimated not to exceed €250,000 and shall be borne by the Issuer.

Selling commission is payable to Authorised Distributors. Each Authorised Distributor shall be entitled to a selling commission on the value of the Bonds allotted to Applicants applying through such Authorised Distributor at the rate of 0.75%.

Estimated Net Proceeds of the Offer

It is estimated that the total net proceeds of the Offer would amount to €9,750,000 (€16,750,000 in the event that the Issuer exercises the Over-allotment Option in full), after deduction of a total amount of €250,000 representing the aggregate of estimated expenses of the Offer.

Underwriting

The Offer of €10,000,000 5.6% Bonds will be underwritten as to 50% by HSBC Bank Malta p.l.c. of 233, Republic Street, Valletta (the "Underwriter"). By an agreement dated 04 May 2006, between the Issuer and the Underwriter, it was agreed that in the event that the Offer of €10,000,000 5.6% Bonds is not fully subscribed after the end of the Offer Period, the Underwriter shall purchase such outstanding Bonds at the Bond Issue Price subject to a minimum value of €5,000,000 in Bonds having been subscribed.

Interests of Advisers

As at the date of the Prospectus none of the Advisers mentioned on page 19 of the Prospectus have any beneficial interest in the Issuer nor are any of such Advisers employed by the Issuer on a contingent basis.

Admission to Trading

Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List.

Distribution of the Bonds

Placing Arrangements

The Issuer may enter into conditional placement agreements with financial intermediaries and institutional investors prior to the commencement of the Offer Period whereby the Issuer binds itself to allocate to such financial intermediaries and institutional investors, which shall bind themselves to purchase, upon closing of subscription lists, an amount not exceeding fifty per cent (50%) in aggregate of the Bonds on offer.

Public offering in Malta

During the Offer Period, Applications for subscription to the Bonds may be made through any of the Authorised Distributors whose names are set out in Appendix 4 of the Prospectus.

Allocation Policy

Within five (5) Business Days of the closing of subscription lists, the Issuer shall, directly or through the Registrar, announce the basis of acceptance of Applications and the allocation policy to be adopted.

SECURITIES NOTE

Offer Statistics

Issuer:	Global Financial Services Group p.l.c., a company registered in Malta with registration number C 19526.
ISIN:	MT0000073412
Amount:	€10,000,000, subject to the Over-allotment Option described below.
Over-allotment Option:	at the sole and absolute discretion of the Issuer, additional Bonds not exceeding €7,000,000 in value, issued at par, may be issued to cover any outstanding Applications in the event of over-subscription.
Form:	The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the Central Securities Depository.
Denomination:	Euro €.
Minimum amount per subscription:	Minimum of two thousand five hundred Euro (€2,500) and integral multiples of one hundred Euro (€100) thereafter.
Maturity Date:	02 June 2016 (subject to Early Redemption at the option of the Issuer, described below).
Bond Issue Price:	At par (€100 per Bond).
Status of the Bonds:	The Bonds constitute the general, direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves and, save for such exceptions as may be provided by applicable law, with all other outstanding, unsubordinated and unsecured obligations of the Issuer, present and future.
Listing:	Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List.
Offer Period:	The period between the 18 May and the 26 May 2006 (or such earlier date as may be determined by the Issuer in the event of over-subscription) during which the Bonds are on offer.
Interest:	five point six per cent. (5.6%) per annum.
Yield:	The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at maturity date is five point six per cent. (5.6%).
Interest Payment Date(s):	02 June of each year, between 2007 and the year in which the Bonds are redeemed (both years included), provided that if any such day is not a Business Day (as defined on page 17 of the Registration Document), such Interest Payment Date will be carried over to the next following day that is a Business Day.
Redemption Value:	At par (€100 per Bond).
Early Redemption at the option of the Issuer:	The Issuer has the option to redeem all or any part of the Bonds at their nominal value on 02 June 2014 or 02 June 2015 by giving not less than sixty (60) days prior notice to Bondholders.
Underwriting:	The Offer of €10,000,000 5.6% Bonds will be underwritten as to 50% by HSBC Bank Malta p.l.c. pursuant to an underwriting agreement dated 04 May 2006 as further set out in the Prospectus.
Manager and Registrar:	HSBC Bank Malta p.l.c.
Sponsor:	HSBC Stockbrokers (Malta) Ltd.
Notices:	Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of twenty-four (24) hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholder at his/her registered address and posted.
Governing Law:	The Bonds are governed by and shall be construed in accordance with Maltese law.
Submission to Jurisdiction:	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds shall be brought exclusively before the Maltese Courts.

Expected Time-table of Principal Events

Application Forms available	11 May 2006
Opening of Subscription Lists	18 May 2006
Closing of Subscription Lists	26 May 2006
Announcement of Basis of Acceptance	02 June 2006
Commencement of Interest on the Bonds	03 June 2006
Expected dispatch of Allotment Advice and Refunds of Unallocated Monies	09 June 2006

The Issuer reserves the right to close the Offer before the 26 May 2006 in the event of over-subscription, in which case, the remaining events set out in the "Expected Time-table of Principal Events" shall be anticipated in the same chronological order in such a way as to retain the same number of Business Days between the said principal events.

4. INFORMATION CONCERNING THE SECURITIES TO BE OFFERED / ADMITTED TO TRADING

The following includes a description of the particular terms of the Bonds (the "**Terms and Conditions**"). Each Bond shall be issued on the Terms and Conditions set out herein and by subscribing to or otherwise acquiring the Bonds, the Bondholders are deemed to have knowledge of all the Terms and Conditions of the Bonds hereafter described and to accept and be bound by the said Terms and Conditions.

4.1 General

- (1) Each Bond forms part of a duly authorised issue of €10,000,000 5.6% Bonds due 02 June 2016 of a nominal value of €100 per Bond issued by the Issuer at par (the "Bonds" which expression shall in these terms and conditions, unless the context otherwise requires, include any additional Bonds of a nominal value of €100 per Bond which the Issuer may issue pursuant to the Over-allotment Option described in sub-clause (2) hereof).
- (2) The Issuer, may, at its sole and absolute discretion, offer for subscription additional Bonds not exceeding €7,000,000 in aggregate having a nominal value of €100 per Bond, at par, to cover any outstanding applications in the event of over-subscription (the "Over-allotment Option"). The Over-allotment Option may be exercised by the Issuer at any time during the Offer Period.
- (3) The issue of the Bonds has been authorised by a resolution of the Board of Directors of the Issuer on 04 May 2006.
- (4) Unless previously purchased and cancelled, the Bonds shall be redeemed at the Redemption Value of €100 per Bond on the 02 June 2016 (the "Maturity Date"), or in the event that the Issuer exercises the option to redeem all or any part of the Bonds prior to the Maturity Date on 02 June 2014 or 02 June 2015.

4.2 Definitions

Words and expressions used in these terms and conditions shall, except where the context otherwise requires, bear the same meaning as defined elsewhere in the Prospectus. Furthermore, for the purposes of these terms and conditions:

"Business Day" means any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;

SECURITIES NOTE

"Financial Indebtedness" means and includes:

- (a) All monies borrowed or raised (in each case with or without security);
- (b) Receivables sold, assigned or discounted (otherwise than on a non-recourse basis), except any receivables sold, assigned or discounted as part of normal day to day cash collection procedures and not as a means of raising finance;
- (c) The acquisition cost of any asset acquired to the extent payable before or after the time of acquisition or possession by the party liable therefor where and to the extent that the advance or deferred payment is arranged primarily as a method of raising finance or financing the acquisition of that asset;
- (d) The aggregate capital amount owing under any finance lease (as determined in accordance with any applicable accounting standards);
- (e) The principal amount raised by acceptances (not being acceptances in relation to the purchase of goods or services in the ordinary course of trading which have been outstanding for 180 days or less) or under any acceptance credit opened on its behalf;
- (f) The principal amount (including any fixed or minimum premium payable on final redemption or repayment) of any debenture, debenture stock, bonds, loan notes, and any other debt security;
- (g) The aggregate maximum amount for the time being outstanding under any guarantee, indemnity or similar assurance in respect of the Financial Indebtedness of any person;
- (h) Amounts raised under any other transaction and which are to be treated as Financial Indebtedness in accordance with any applicable accounting standards;

But shall not include: (i) any amounts which would otherwise constitute Financial Indebtedness and which are intended to be applied within six months of being borrowed or raised in repayment of any Financial Indebtedness then outstanding, pending their application for such purpose or the expiry of such period (whichever shall be the earlier); (ii) any intra group balances and intra group transactions that are required to be eliminated in full on consolidation in accordance with any applicable accounting standards; (iii) any loans subordinated to the Bonds.

"Group" means the Issuer and any subsidiary undertakings (as defined in article 2(2) of the Companies Act, 1995 (Cap. 386, Laws of Malta) thereof.

"Permitted Security Interest" means (a) any Security Interest (as defined hereunder) arising by operation of law; (b) any Security Interest securing bank loans, overdrafts or any other facility in the ordinary course of business; (c) any other security interest in addition to (a) and (b) above securing Financial Indebtedness of the Group in an aggregate amount not exceeding 80% of the difference between the value of the Unencumbered Assets of the Group (on a consolidated basis) and the aggregate principal amount of the Bonds outstanding at the time;

Provided that the aggregate Security Interests in (b) and (c) above do not result in the Unencumbered Assets of the Group (on a consolidated basis) being less than 105.6% of the aggregate principal amount of the Bonds still outstanding.

"Security Interest" means any privilege, hypothec, pledge, lien, charge or other encumbrance whatsoever which grants rights of preference to a creditor over the assets of the Group.

"Unencumbered Assets" means assets that are not subject to a Security Interest.

4.3 Registration, Form, Denomination and Title

- (1) Certificates will not be delivered to Bondholders in respect of the Bonds as each Bondholder's entitlement will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the Central Securities Depository. There will be entered in such electronic register the names and addresses of the Bondholders and particulars of the Bonds held by them respectively and a copy of such register will, at all reasonable times during business hours, be open to the inspection of the Bondholders at the registered office of the Issuer.
- (2) The Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiple of one hundred Euro (€100) provided that on subscription the Bonds will be issued for a minimum of two thousand five hundred Euro (€2,500).
- (3) Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments) as the absolute owner of such Bond, (regardless of any notice of ownership, trust or other interest therein) and no person will be liable for so treating such person. Title to the Bonds may be transferred as provided below under clause 4.11, "Transfer".

4.4 Status of the Bonds

The payment of the Bonds and interest thereon constitute the general, direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and, save for such exceptions as may be provided by applicable law, with all other outstanding, unsubordinated and unsecured obligations of the Issuer, present and future.

4.5 Negative Pledge

So long as the payment of any principal or interest under all or any of the Bonds remains outstanding, the Issuer shall not create or permit to subsist, and shall not cause or permit any of its subsidiaries to create or permit to subsist, any Security Interest, other than a Permitted Security Interest upon the whole or any part of its, or their, present or future undertaking, assets or revenues (including uncalled capital) to secure any Financial Indebtedness without at the same time, or prior thereto, making effective provision whereby the Bonds then outstanding shall be secured equally and rateably (or prior to) such Financial Indebtedness.

4.6 Interest

- (1) The Bonds shall bear interest from and including 03 June 2006 (the "Issue Date") at the rate of 5.6% per annum on the nominal value thereof, payable annually in arrears on 02 June of each year, (each an "Interest Payment Date"), the first Interest Payment Date being on 02 June 2007. Provided that any Interest Payment Date which falls on a day other than a Business Day, will be carried over to the next following day that is a Business Day. Each Bond will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Bond is improperly withheld or refused or unless default is otherwise made in respect of payment, in any of which events interest shall continue to accrue at the rate specified herein above or at the rate of two per cent (2%) per annum above the Central Bank of Malta minimum discount rate whichever is the greater.
- (2) When interest is required to be calculated for any period of less than a year it will be calculated on the basis of a three hundred and sixty (360) day year consisting of twelve (12) months of thirty (30) days duration and in the case of an incomplete month the actual number of days elapsed from and including the most recent Interest Payment Date, or as the case may be the Issue Date.

4.7 Payments

- (1) Payment of the principal amount of a Bond will be made by the Issuer in Euro to the person in whose name such Bond is registered at the close of business on the Maturity Date, with interest accrued to the Maturity Date, by mailing a cheque payable in Euro at such Bondholder's address within seven (7) days of the Maturity Date, or by means of a direct credit into a Euro account (or other account to which Euro may be credited or transferred). The Issuer shall not be responsible for any loss or delay in transmission. Upon payment of the Redemption Value the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the Central Securities Depository.
- (2) Payment of any instalment of interest on a Bond will be made in Euro to the person in whose name such Bond is registered at the close of business fifteen (15) days prior to the Interest Payment Date by mailing a cheque payable in Euro to the Bondholder at such Bondholder's registered address or by means of a direct credit into a Euro account (or other account to which Euro may be credited or transferred) of the Bondholder or of any person as the Bondholder may designate, in either case within seven (7) days of the Interest Payment Date (provided that if any such day is not a Business Day, as defined on page 17 of the Registration Document, such Interest Payment Date will be carried over to the next following day that is a Business Day). The Bondholder shall be required to make such election in the Application Form. The Issuer shall not be responsible for any loss or delay in transmission. The payment of the cheque, if purporting to be duly endorsed, shall be a good discharge to the Issuer.
- (3) All payments with respect to the Bonds are subject in all cases to any applicable fiscal or other laws and regulations. In particular, but without limitation, all payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made net of any amount which the Issuer is compelled by law to deduct or withhold for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Malta or any authority thereof or therein having power to tax.
- (4) No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments.

4.8 Redemption and Purchase

- (1) Unless previously purchased and cancelled as provided below, the Issuer will redeem the Bonds (together with payment of interest accrued thereon) at their nominal value on 02 June 2016 (the "Maturity Date"). Provided that the Issuer has the option to redeem all or any part of the Bonds at their nominal value on 02 June 2014 or 02 June 2015 by giving not less than sixty (60) days prior notice to Bondholders.
- (2) The Issuer (or any of its subsidiary undertakings) may at any time purchase Bonds in the open market or otherwise and at any price. If purchases are made by tender, tenders shall be made available to all Bondholders alike.
- (3) All Bonds which are redeemed or purchased by the Issuer (or any of its subsidiary undertakings) on its own account will be cancelled forthwith and may not be re-issued or resold.

4.9 Meetings of Bondholders

- (1) The Issuer may at any time convene a meeting of Bondholders to consider and approve by Extraordinary Resolution:
 - (i) any matter affecting their interests, including the amendment, modification, waiver, abrogation or substitution of any of the Terms and Conditions of the Bonds and the rights of Bondholders, whether or not those rights arise under this Prospectus; (ii) the exchange or substitution of the Bonds by, or the conversion of the Bonds into, shares, debentures or other obligations or securities of the Issuer; (iii) the earlier redemption or roll-over of the Bonds on their Maturity Date; and (iv) the appointment of any trustee/s for Bondholders or of any person/s (whether Bondholders or not) as a committee or committees to represent the interests of Bondholders and to confer on them any powers or discretions which the Bondholders could themselves exercise by Extraordinary Resolution (and which appointment may be made, *inter alia*, on terms governing the responsibility and relief from responsibility of any such trustee/s and/or person/s and providing for their indemnification in certain circumstances).

SECURITIES NOTE

- (2) At least 14 days' prior notice of a meeting shall be given to Bondholders by the Issuer (exclusive of the day on which the notice is given and of the day for which it is given). The notice shall specify the day, time and place of meeting, the text of any resolution to be proposed thereat by the Issuer and the principal purpose thereof. The notice shall also explain how a Bondholder may appoint one or more proxies to attend the meeting and to vote instead of him.
- (3) The instrument appointing a proxy shall be deposited at least 48 hours before the time fixed for the meeting at such place as the Issuer shall designate or approve, and in default it shall not be valid unless the chairman of the meeting decides otherwise before the meeting proceeds to business. A proxy need not be a Bondholder.
- (4) The chairman of a meeting of Bondholders shall be the chairman of the Board of Directors of the Issuer or such other person as the Issuer may nominate in writing, but if no such nomination is made, or if the person designated in terms of this sub-clause is not present within 30 minutes after the time fixed for the meeting, Bondholders or their proxies present shall choose one of their number to be chairman by Extraordinary Resolution. The chairman may, but need not, be a Bondholder. The chairman of an adjourned meeting need not be the same person as the chairman of the original meeting.
- (5) The following may attend and speak at a meeting of Bondholders: (i) the chairman of the meeting; (ii) representatives and Directors of the Issuer; (iii) Bondholders; and (iv) representatives of any trustee/s for Bondholders or of any committee or committees appointed by Extraordinary Resolution to represent Bondholders' interests. No other person shall be entitled to attend or speak at a meeting.
- (6) Bondholders holding at least 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, present in person or by proxy shall constitute a quorum.
- (7) No business (except choosing a chairman if required in terms of sub-clause (4) above) shall be transacted at a meeting of Bondholders unless a quorum is present at the commencement of business. If a quorum is not present within 30 minutes from the time initially fixed for the meeting, it shall stand adjourned until such date, time and place as the chairman may decide. If a quorum is not present within 30 minutes from the time fixed for a meeting so adjourned the meeting shall be dissolved.
- (8) Each matter submitted to a meeting shall be decided by a show of hands unless a poll is (before, or following the result of the show of hands) demanded by the chairman. Every Bondholder shall be entitled to one vote for each Bond held whether on a show of hands or on a poll. Voting, whether on a show of hands or on a poll shall be taken in such manner as the chairman of the meeting shall direct.
- (9) An Extraordinary Resolution shall be binding on all the Bondholders, whether or not present at the meeting, and each of them shall be bound to give effect to it accordingly. The Issuer shall give notice of the passing of an Extraordinary Resolution to Bondholders within 14 days but failure to do so shall not invalidate the resolution. No Extraordinary Resolution shall be binding or effective unless the Issuer shall have expressly agreed thereto in writing.
- (10) In this clause, unless the context otherwise requires:
 - (a) "Extraordinary Resolution" means a resolution proposed by the Issuer and passed at a meeting duly convened and held in accordance with the provisions of this clause by a majority of at least 75 per cent. in nominal value of the Bondholders present at that meeting in person or by proxy;
 - (b) references to a meeting is to a meeting of Bondholders and includes, any adjournment thereof;
 - (c) reference to the chairman is to the chairman of a meeting of Bondholders in accordance with the provisions of sub-clause (4) above.
- (11) The rules generally applicable to general meetings of Shareholders of the Issuer shall apply to meetings of Bondholders as modified by (and save where inconsistent with) the foregoing provisions of this clause.

4.10 Events of Default

If any of the following events ("Events of Default") occurs and is continuing the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding may give notice, by registered mail, to the Issuer that the Bonds are, and they shall immediately become, due and payable as to their principal amount together with any interest accrued thereon (provided that upon the occurrence of any of the events described in sub-clauses (f) or (h) below the principal amount of the Bonds shall immediately become due and payable, together with any interest accrued thereon without the requirement for the giving of such notice to the Issuer):

- (a) The Issuer fails to pay any interest on any of the Bonds when due and such failure continues for a period of thirty (30) days; or
- (b) The Issuer fails to pay the principal on the Bonds when it becomes due and payable at its maturity;
- (c) The Issuer fails to duly perform or observe any other material obligation under these terms and conditions and such failure shall continue for a period of sixty (60) days after there has been given, by registered mail, to the Issuer by the holders of at least 25 per cent. in aggregate principal amount of the Bonds then outstanding, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or
- (d) there shall have been entered against the Issuer a final judgement by a court of competent jurisdiction from which no appeal may be made or is taken for a principal amount in excess of seven hundred and fifty thousand Euros (€750,000) or its equivalent in any currency and ninety (90) days shall have passed since the date of entry of such judgment without its having been satisfied or stayed; or
- (e) any default occurs and continues for ninety (90) days under any contract or document relating to any Financial Indebtedness of the Issuer in a principal amount in excess of seven hundred and fifty thousand Euros (€750,000) or its equivalent in any currency at any time; or
- (f) an order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, or winding-up of the Issuer (except for the purpose of and followed by reconstruction, amalgamation, reorganisation, merger or consolidation); or
- (g) the Issuer stops or suspends payments (whether of principal or interest) with respect to all or any class of its debts or announces an intention to do so or ceases or threatens to cease to carry on its business or a substantial part of its business; or
- (h) the Issuer is unable, or admits in writing its inability, to pay its debts as they fall due or otherwise becomes insolvent.

4.11 Transfer

- (1) A Bond may be transferred in whole (in multiples of one hundred Euros (€100) by the Bondholder in accordance with the bye-laws of the Malta Stock Exchange and any applicable laws, statutes, rules or regulations governing the transfer of the Bonds.
- (2) Any person becoming entitled to a Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may from time to time properly be required by the Issuer or the Central Securities Depository, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the Central Securities Depository, a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by transferring the Bond, or procuring the transfer of the Bond, in favour of that person.
- (3) All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.
- (4) The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the Issuer.
- (5) The Issuer will not register the transfer or transmission of Bonds for a period of fifteen (15) days preceding the due date for any payment of interest on the Bonds.

4.12 Prescription

In accordance with the provisions of the Civil Code (Cap. 16, Laws of Malta) and save as otherwise provided by law, claims in respect of principal and interest shall be barred by prescription if any Bondholder fails to exercise his right thereto within five (5) years from the day on which such claim can be exercised.

4.13 Further Issues

The Issuer may, from time to time, without the consent of the Bondholder, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities either having the same terms and conditions as any outstanding debt securities of any series (including the Bonds) in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding debt securities of the relevant series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue. Any further debt securities so issued may rank *pari passu* in all respects with the Bonds but shall not rank ahead of the Bonds. The Issuer shall not issue any other debt instrument for a period of six months following the date of this Prospectus.

4.14 Bonds held Jointly

In respect of a Bond held jointly by several persons (including husband and wife), the joint holders shall nominate one of their number as their representative and his/her name will be entered in the register with such designation. The person whose name shall be inserted in the field entitled "Applicant" on the Application Form, or first named in the register of Bondholders shall for all intents and purposes be deemed to be such nominated person by all those joint holders whose names appear in the field entitled "Additional Applicants" in the Application Form or joint holders in the register as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.

4.15 Bonds held Subject to Usufruct

In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed vis a vis the Issuer to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner.

4.16 Governing Law and Jurisdiction

- (1) The Bonds are governed by and shall be construed in accordance with Maltese law.
- (2) The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds shall be brought exclusively before the Maltese Courts.

4.17 Notices

Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of twenty-four (24) hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholders at his registered address and posted.

4.18 Listing

In the event that the Bonds are admitted to listing on the Official List of the Malta Stock Exchange (the "Exchange"), all the terms and conditions hereof, including, but not limited to, clauses 4.3 "**Registration, Form, Denomination and Title**" and 4.11 "**Transfer**" shall be subject to, and shall apply only so far as they are not inconsistent with, all the laws, by-laws, statutes, rules and regulations applicable from time to time relating to the Bonds and the Exchange.

5. TERMS AND CONDITIONS OF THE OFFER

- 5.1** The contract created by the acceptance of an Application shall be subject to the terms and conditions set out herein. If any Application is not accepted, or if any Application is accepted for fewer Bonds than those applied for, the Application monies or the balance of the amount paid on Application will be returned by the Issuer without interest by mail at the risk of the Applicant.
- 5.2** Subject to all other terms and conditions set out in the Prospectus, the Issuer reserves the right to reject, in whole or in part, or to scale down any Application, including multiple or suspected multiple Applications and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Issuer is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted.

In the case of joint Applications, reference to the Applicant in these terms and conditions is a reference to each Applicant, and liability therefor is joint and several.

- 5.3** Any person, whether natural or legal, shall be eligible to submit an Application, and any one person, whether directly or indirectly, should not submit more than one Application Form. In the case of corporate Applicants or Applicants having separate legal personality, the Application Form must be signed by a person authorised to sign and bind such Applicant. It shall not be incumbent on the Issuer or Registrar to verify whether the person or persons purporting to bind such an Applicant is or are in fact authorised.

Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption monies shall be paid directly to the registered holder. Provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen years.

- 5.4** All Applications for the subscription of Bonds must be submitted on Application Forms within the time limits established above. The minimum subscription of Bonds is €2,500 in value and applications in excess of €2,500 in value must be in multiples of €100. The completed Application Forms are to be lodged with any of the Authorised Distributors mentioned in this Prospectus. Unless other arrangements are concluded with the Issuer or the Registrar, all Application Forms must be accompanied by the full price of the Bonds applied for in Euro. Payment may be made either in cash or by cheque payable to "The Registrar – Global Financial Services Group p.l.c. Bond Issue". In the event that cheques accompanying Application Forms are not honoured on their first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application. Multiple Applications are not allowed.
- 5.5** By completing and delivering an Application Form you (as the Applicant(s)):
- (a) irrevocably offer to purchase the number of Bonds specified in your Application Form (or any smaller number for which the Application is accepted) at the Bond Issue Price subject to the Prospectus, the terms and conditions thereof and the memorandum and articles of the Issuer;
 - (b) authorise the Registrar and the Directors to include your name or in the case of joint Applications, the first named Applicant, in the register of debentures of the Issuer in respect of the Bonds allocated to you;

- (c) warrant that your remittance will be honoured, on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive a registration advice, or to be registered in the register of debentures or to enjoy or receive any rights in respect of such Bonds unless and until you make payment in cleared funds for such Bonds and such payment is accepted by the Issuer (which acceptance shall be made in the absolute discretion of the Issuer and may be on the basis that you indemnify the Issuer against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that, at any time prior to unconditional acceptance by the Issuer of such late payment in respect of such Bonds, the Issuer may (without prejudice to other rights) treat the agreement to allocate such Bonds as void and may allocate such Bonds to some other person, in which case you will not be entitled to any refund or payment in respect of such Bonds (other than return of such late payment);
- (d) agree that the registration advice and other documents and any monies returnable to you may be retained pending clearance of your remittance and any verification of identity as required by the Prevention of Money Laundering Act, 1994 (and regulations made thereunder) and that such monies will not bear interest;
- (e) agree that all Applications, acceptances of Applications and contracts resulting therefrom will be governed by, and construed in accordance with Maltese law and that you submit to the jurisdiction of the Maltese courts and agree that nothing shall limit the right of the Issuer to bring any action, suit or proceeding arising out of or in connection with any such Applications, acceptances of Applications and contracts in any other manner permitted by law in any court of competent jurisdiction;
- (f) warrant that, if you sign the Application Form on behalf of another party or on behalf of a corporation or corporate entity or association of persons, you have due authority to do so and such person, corporation, corporate entity, or association of persons will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions and undertake to submit your power of attorney or a copy thereof duly certified by a lawyer or notary public if so required by the Registrar;
- (g) agree that all documents in connection with the issue of the Bonds and any returned monies, including refunds of all unapplied Application monies, will be sent at your risk and may be sent by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as set out in the Application Form;
- (h) agree that, having had the opportunity to read the Prospectus, you have and shall be deemed to have had notice of all information and representations concerning the Issuer and the issue of the Bonds contained therein;
- (i) confirm that in making such Application you are not relying on any information or representation in relation to the Issuer or the issue of the Bonds other than those contained in this Prospectus and you accordingly agree that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;
- (j) confirm that you have reviewed and you will comply with the restriction contained in paragraph 5.6 and the warning in paragraph 5.7 below;
- (k) warrant that you are not under the age of 18 years or if you are lodging an Application in the name and for the benefit of a minor, warrant that you are the parents or legal guardian/s of the minor;
- (l) agree that such Application Form is addressed to the Issuer and that in respect of those Bonds for which your Application has been accepted, you shall receive a registration advice confirming such acceptance;
- (m) confirm that in the case of a joint Application the first named Applicant shall be deemed the holder of the Bonds;
- (n) agree to provide the Registrar and/or the Issuer, as the case may be, with any information which it/they may request in connection with your Application(s);
- (o) agree that HSBC Stockbrokers (Malta) Ltd in its capacity of Sponsor will not treat you as its customer by virtue of your making an Application for Bonds or by virtue of your Application to subscribe for Bonds being accepted and that HSBC Stockbrokers (Malta) Ltd will owe you no duties or responsibilities concerning the price of the Bonds or their suitability for you;

- (p) warrant that, in connection with your Application, you have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your Application in any territory and that you have not taken any action which will or may result in the Issuer or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the Bond Issue or your Application;
 - (q) warrant that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
 - (r) represent that you are not a U.S. person (as such term is defined in Regulation "S" under the Securities Act of 1933 of the United States of America, as amended (the "Securities Act") and that you are not accepting the invitation set out in the Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the "United States") or on behalf or for the account of anyone within the United States or anyone who is a U.S. person, unless you indicate otherwise on the Application Form in accordance with the instructions on the Application Form; and
 - (s) agree that in all cases, any refund of unallocated Application monies will be sent to you by cheque in Euro, and mailed to you at your own risk to the address set out in your Application Form, within five (5) Business Days from the date of final allocation. No interest shall be due on refunds.
- 5.6** The Bonds have not been and will not be registered under the Securities Act and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.
- 5.7** No person receiving a copy of the Prospectus or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to him/her nor should he/she in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to him/her or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside Malta wishing to make any Application to satisfy himself/herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- 5.8** Within five (5) Business Days from the closing of the subscription lists, the Issuer shall, either directly or through the Registrar, determine and announce the basis of acceptance of applications and allocation policy to be adopted.
- 5.9** Save where the context requires otherwise, terms defined in the Prospectus bear the same meaning when used in these terms and conditions of Offer, in the Application Form and in any other document issued pursuant to the Prospectus.
- 5.10** The subscription lists will open at 08.30 hours on 18 May 2006 and will close as soon thereafter as may be determined by the Issuer but not later than 12.00 hours on 26 May 2006.

6. ADMISSION TO TRADING AND DEALING ARRANGEMENTS

Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List.

7. ADDITIONAL INFORMATION

Exchange Controls

It is the responsibility of investors wishing to apply for the Bonds to inform themselves as to the legal requirements of so applying including any requirements relating to exchange control (including any applicable external transaction requirements) in Malta and in the countries of their nationality, residence or domicile.

The obligation to comply with any applicable exchange control or other such regulations (such as those relating to external transactions) rests with the investor and not with the Issuer, Underwriter, Manager, Registrar, Sponsor or any of the Authorised Distributors.

Taxation

General

Investors and prospective investors are urged to seek professional advice as regards both Maltese and any foreign tax legislation in respect of the Bonds, including their acquisition, holding and disposal as well as any income/gains derived therefrom or made on their disposal. The following is a summary of the anticipated tax treatment applicable to holders of the Bonds in Malta. This information, which does not constitute legal or tax advice, and which does not purport to be exhaustive, refers only to holders of the Bonds who do not deal in securities in the course of their trading activity.

The information below is based on an interpretation of tax law and practice relative to the applicable legislation, as known to the Issuer at the date of the Prospectus, in respect of a subject on which no official guidelines exist. Investors are reminded that tax law and practice and their interpretation as well as the levels of tax on the subject-matter referred to in the preceding paragraph, may change from time to time.

This information is being given solely for the general information of investors; the precise implications for investors will depend, among other things, on their particular circumstances and on the classification of the Bonds from a Maltese tax perspective, and professional advice in this respect should be sought accordingly.

Interest

On the basis that interest is payable in respect of a bond which is the subject of a public issue, unless the Issuer is otherwise advised by a Bondholder who is resident in Malta and who falls within the definition of "recipient" in terms of article 41 of the Income Tax Act, 1948 (Cap. 123, Laws of Malta), interest shall be paid to such person net of a final withholding tax at the rate of 15% of the gross amount of the interest, pursuant to article 33 of the Income Tax Act, 1948. Bondholders which do not fall within the definition of a "recipient" do not qualify for the said 15% rate and should seek advice on the taxation of such income. Special rules apply where the recipient is a collective investment scheme and such a recipient should obtain specific advice accordingly.

This withholding tax is considered as a final tax and a resident individual Bondholder should not declare the interest so received on his income tax return. No person shall be charged to further tax in respect of such income. However tax withheld shall in no case be available to any person for a credit against that person's tax liability or for a refund as the case may be.

In the case of a valid election made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of the 15% withholding tax, interest will be paid gross and such person will be obliged to declare the interest so received on his income tax return and be subject to tax on it at the standard rates applicable to that person at that time. Any such election made by a resident Bondholder at the time of the application may be subsequently changed by giving notice in writing to the Issuer. Such election or revocation will be effective within the time limit set out in the Income Tax Act.

Non-resident Bondholders satisfying the applicable conditions set out in the Income Tax Act are not taxable in Malta on the interest received and will receive interest gross, subject to the requisite certificate being provided to the Issuer in terms of law.

SECURITIES NOTE

Capital gains on transfer of the Bonds

On the assumption that the Bonds would not fall within the definition of "securities" in terms of article 5 of the Income Tax Act, that is, "shares and stocks and such like instrument that participate in any way in the profits of the company and whose return is not limited to a fixed rate of return", no tax on capital gains should be chargeable in respect of transfer of the Bonds.

Duty on Documents and Transfers

On the basis that the Bonds involve securities of a company quoted on the Malta Stock Exchange, redemptions and transfers of the Bonds should be exempt from Maltese duty on documents and transfers.

Statement by Experts

Save for the auditor's report extracted from the 2005 audited financial statements of the Issuer, the Prospectus does not contain any statement or report attributed to any person as an expert.

Documents on display

The following documents (or copies thereof where applicable) may be inspected at the registered office of the Issuer at 120, The Strand, Gzira, GZR03, Malta:

- The Memorandum and Articles of Association of the Issuer;
- The audited financial statements of the Issuer for each of the financial years ending 31 December 2003, 2004 and 2005.

APPENDIX 1
ACCOUNTANTS' REPORT ON THE ISSUER

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ACCOUNTANT'S REPORT

The Directors
Global Financial Services Group p.l.c.
120 The Strand
Gzira GZR03, Malta

10 May 2006

Dear Sirs

Accountants' report on the Historical Financial Statements of Global Financial Services Group p.l.c.

We report on the financial information of Global Financial Services Group p.l.c. ('The Company') and its subsidiary and associated companies (collectively referred to as "The Group") set out on pages 59 to 108. This financial information has been prepared for inclusion in the Prospectus dated 10 May 2006.

Basis of preparation

The financial information set out on pages 59 to 108 is based on the audited financial statements of the Company and the Group for the three years ended 31 December 2003, 2004 and 2005, on which we have expressed an unqualified opinion.

On 1 January 2005, the Group adopted the Fair Value Option permitted in terms of International Accounting Standard 39 (Revised 2004), and its financial statements for the year ended 31 December 2005 accordingly included a restatement of the comparative figures for 2004. For the purposes of compiling this report, comparative figures in respect of 2003 have also been restated on the same basis. The restatement is explained in the statement of changes in equity on page 62 of this report, and a separate statement of adjustments is not considered necessary for the purposes of this report. No further material adjustment was considered necessary in respect of the Company's and the Group's financial information for the three years ended 31 December 2003, 2004 and 2005.

The financial information set out in this report comprises:

- Profit and loss accounts for each of the three years ended 31 December 2003, 2004, 2005.
- Balance sheets as at 31 December 2003, 2004, 2005.
- Statements of changes in equity for each of the three years ended 31 December 2003, 2004, 2005.
- Cash flow statements for each of the three years ended 31 December 2003, 2004 and 2005.
- Notes to the accountants' report for each of the three years ended 31 December 2003, 2004 and 2005 inclusive of the principal accounting policies.

No audited financial statements have been prepared for the Company and the Group in respect of the any period subsequent to 31 December 2005.

Responsibilities

The financial statements are the responsibility of the Directors of the Company who approve their issue. The Directors of the Company are responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We concluded our work in accordance with the Statements of Investments Circular Reporting Standards issued by the Auditing Practices Board applicable in the United Kingdom and have complied with the requirements of the Malta Stock Exchange Bye-Laws in respect of Accountants' Reports and the Companies Act, 1995. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us during the audit of the financial statements underlying the financial information.

Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and of whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus dated 10 May 2006, a true and fair view of the state of affairs of the Group and the Company as at the dates stated and of their results, changes in equity and cash flows for the periods then ended.

Yours faithfully

PRICEWATERHOUSECOOPERS 

Valletta
Malta

Profit and loss account

Year ended 31 December						
Notes	Group			Company		
	2005 Lm	2004 Lm (restated)	2003 Lm (restated)	2005 Lm	2004 Lm	2003 Lm
Turnover – commission and fees receivable	3	3,086,959	2,466,452	1,438,788	-	-
Balance on the long-term business of insurance technical account before tax (page 60)		786,912	184,986	238,267	-	-
Increment in the value of in-force business	7, 11	315,000	196,000	104,615	-	-
Gains on investment property		-	432,412	-	-	-
Other operating income		6,337	13,266	34,265	-	-
Administrative expenses	4	(1,788,124)	(1,496,041)	(1,260,217)	(10,000)	(16,310)
Commission payable and direct marketing costs	4	(453,359)	(323,401)	(112,498)	-	-
Impairment/amortisation of goodwill	11	(250,000)	(160,244)	(160,244)	-	-
Share of loss of associate undertaking	16	(382)	-	-	-	-
Operating profit/(loss)		1,703,343	1,313,430	282,976	(10,000)	(16,310)
Investment income, net of allocation to the insurance technical account	6	945,334	122,955	238,641	538,462	507,692
Investment charges and expenses	6	(23,074)	(32,733)	(51,386)	(80)	(68)
Profit before tax		2,625,603	1,403,652	470,231	528,382	496,943
Income tax expense	7	(1,011,809)	(344,205)	(167,312)	(188,463)	(177,633)
Profit for the financial year		1,613,794	1,059,447	302,919	339,919	319,310
Earnings per share (cents)	9	12c2	8c0	2c3		

Profit and loss account – continued**Technical account – long term business of insurance**

		Year ended 31 December		
		Group		
		2005	2004	2003
Notes		Lm	Lm	Lm
	Earned premiums, net of reinsurance			
	Gross premiums written	3,863,590	4,418,134	3,478,288
	Outward reinsurance premiums	(312,971)	(327,807)	(238,427)
		3,550,619	4,090,327	3,239,861
	Investment income	2,226,346	972,124	511,873
	Total technical income	5,776,965	5,062,451	3,751,734
	Claims incurred, net of reinsurance			
	claims paid			
	- gross amount	831,970	542,149	405,073
	- reinsurers' share	(137,477)	(82,653)	(60,000)
		694,493	459,496	345,073
	Change in the provision for claims			
	- gross amount	(30,718)	248,321	50,834
	- reinsurers' share	34,924	(216,200)	(18,500)
		4,206	32,121	32,334
	Claims incurred, net of reinsurance	698,699	491,617	377,407
	Change in other technical provisions, net of reinsurance Insurance contracts			
	- gross amount	940,000	967,325	763,293
	- reinsurers' share	(4,000)	(275,563)	(3,497)
		936,000	691,762	759,796
	Investment contracts with DPF - gross	2,213,000	2,767,614	1,923,386
	Change in other technical provisions, net of reinsurance	3,149,000	3,459,376	2,683,182
	Net operating expenses	1,061,126	852,671	390,656
	Investment charges and expenses	81,228	73,801	62,222
	Total technical charges	4,990,053	4,877,465	3,513,467
	Balance on the long term business of insurance technical account before tax (page 59)	786,912	184,986	238,267
	Tax expense attributable to the long term business	(287,392)	(42,548)	(35,742)
	Balance on the long term business of insurance technical account	499,520	142,438	202,525

Balance sheet

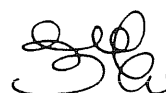
As at 31 December

Notes	Group			Company		
	2005 Lm	2004 Lm (restated)	2003 Lm (restated)	2005 Lm	2004 Lm	2003 Lm
ASSETS						
Intangible assets	11	3,658,957	3,707,682	3,628,572	-	-
Deferred income tax	12	34,095	48,496	118,931	-	-
Property, plant and equipment	13	2,234,835	2,119,161	2,272,350	-	-
Investment property	14	4,054,239	2,030,833	1,595,000	-	-
Investment in group undertakings	15	-	-	-	9,080,362	9,080,362
Investment in associated undertaking	16	1,388,518	-	-	-	-
Other investments	17	12,096,905	9,109,070	6,515,997	-	-
Taxation receivable		108,635	86,752	82,842	59	18,411
Reinsurers' share of technical provisions	18	498,776	529,700	37,937	-	-
Trade and other receivables	19	1,164,412	1,867,202	1,087,764	712,463	373,037
Cash and cash equivalents	26	3,218,263	2,563,928	1,450,174	60,047	2,698
Total assets		28,457,635	22,062,824	16,789,567	9,852,931	9,474,508
EQUITY AND LIABILITIES						
Capital and reserves attributable to the Company's Shareholders						
Share capital	22	1,650,943	1,650,943	1,650,943	1,650,943	1,650,943
Share premium account	23	7,285,496	7,285,496	7,285,496	7,285,496	7,285,496
Other reserves	24	472,578	252,187	195,687	-	-
Profit and loss account		1,788,486	781,403	(135,694)	453,859	500,260
Total equity		11,197,503	9,970,029	8,996,432	9,390,298	9,436,699
Technical provisions	18	13,783,937	10,661,655	6,678,395	-	-
Deferred income tax	12	517,915	27,772	124,321	-	-
Interest-bearing borrowings	20	1,335,896	384,295	470,832	-	-
Trade and other payables	21	1,237,495	838,728	481,065	462,633	37,809
Current income tax liabilities		384,889	180,345	38,522	-	-
Total liabilities		17,260,132	12,092,795	7,793,135	462,633	37,809
Total equity and liabilities		28,457,635	22,062,824	16,789,567	9,852,931	9,474,508

The financial statements on pages 59 to 108 were authorised for issue by the Board on 24 March 2006 and were signed on its behalf by:



Christopher J. Pace
Chairman



Muni Krishna T. Reddy, GOSK
Deputy Chairman

Statement of changes in equity

Group	Notes	Share capital Lm	Share premium account Lm	Revaluation reserve Lm	Other reserves Lm	Profit and loss account Lm	Total Lm
Balance at 1 January 2003							
- as previously stated		875,000	1,853,892	(368,183)	46,437	78,820	2,485,966
- effect of change in accounting policy under IAS 39 (revised)		-	-	368,183	-	(368,183)	-
- as restated		875,000	1,853,892	-	46,437	(289,363)	2,485,966
Profit for the financial year		-	-	-	-	302,919	302,919
Increment in value of in-force business, transferred to other reserves	24	-	-	-	68,000	(68,000)	-
Investment property - fair value gains, net of deferred income tax, transferred to other reserves	24	-	-	-	81,250	(81,250)	-
Net income/(expense) recognised directly in equity		-	-	-	149,250	(149,250)	-
Total recognised income for 2003		-	-	-	149,250	153,669	302,919
Issue of share capital	22, 23	775,943	5,431,604	-	-	-	6,207,547
Balance at 31 December 2003		1,650,943	7,285,496	-	195,687	(135,694)	8,996,432
Balance at 1 January 2004							
- as previously stated		1,650,943	7,285,496	(300,431)	195,687	164,737	8,996,432
- effect of change in accounting policy under IAS 39 (revised)		-	-	300,431	-	(300,431)	-
- as restated		1,650,943	7,285,496	-	195,687	(135,694)	8,996,432
Profit for the financial year		-	-	-	-	1,059,447	1,059,447
Increment in value of in-force business, transferred to other reserves	24	-	-	-	128,000	(128,000)	-
Investment property - fair value gains, net of deferred income tax, transferred from other reserves	24	-	-	-	(71,500)	71,500	-
Net income/(expense) recognised directly in equity		-	-	-	56,500	(56,500)	-
Total recognised income for 2004		-	-	-	56,500	1,002,947	1,059,447
Dividends	10	-	-	-	-	(85,850)	(85,850)
Balance at 31 December 2004		1,650,943	7,285,496	-	252,187	781,403	9,970,029

Statement of changes in equity – continued

Group	Notes	Share capital Lm	Share premium account Lm	Revaluation reserve Lm	Other reserves Lm	Profit and loss account Lm	Total Lm
Balance at 1 January 2005							
- as previously stated		1,650,943	7,285,496	(145,357)	252,187	926,760	9,970,029
- effect of change in accounting policy under IAS 39 (revised)		-	-	145,357	-	(145,357)	-
- as restated		1,650,943	7,285,496	-	252,187	781,403	9,970,029
Profit for the financial year		-	-	-	-	1,613,794	1,613,794
Increment in value of in-force business, transferred to other reserves	24	-	-	-	205,000	(205,000)	-
Investment property - fair value gains, net of deferred income tax, transferred to other reserves	24	-	-	-	15,391	(15,391)	-
Net income/(expense) recognised directly in equity		-	-	-	220,391	(220,391)	-
Total recognised income for 2005		-	-	-	220,391	1,393,403	1,613,794
Dividends	10	-	-	-	-	(386,320)	(386,320)
Balance at 31 December 2005		1,650,943	7,285,496	-	472,578	1,788,486	11,197,503

As at 31 December 2005, unrealised fair value gains attributable to Shareholders, net of taxation, amounting to Lm329,943, have been credited to the profit and loss account and are not distributable in terms of the Companies Act, 1995 (as at 31 December 2004: unrealised fair value losses, net of taxation, amounting to Lm145,357 and as at 31 December 2003: unrealised fair value losses, net of taxation amounting to Lm368,183).

Statement of changes in equity – continued

Company		Share capital Lm	Share premium account Lm	Profit and loss account Lm	Total Lm
	Note				
Balance at 1 January 2003		875,000	1,853,892	188,543	2,917,435
Issue of share capital		775,943	5,431,604	-	6,207,547
Profit for the financial year		-	-	78,257	78,257
Balance at 31 December 2003		1,650,943	7,285,496	266,800	9,203,239
Balance at 1 January 2004		1,650,943	7,285,496	266,800	9,203,239
Profit for the financial year		-	-	319,310	319,310
Dividends	10	-	-	(85,850)	(85,850)
Balance at 31 December 2004		1,650,943	7,285,496	500,260	9,436,699
Balance at 1 January 2005		1,650,943	7,285,496	500,260	9,436,699
Profit for the financial year		-	-	339,919	339,919
Dividends	10	-	-	(386,320)	(386,320)
Balance at 31 December 2005		1,650,943	7,285,496	453,859	9,390,298

Cash flow statement

		Year ended 31 December					
		Group			Company		
Notes	2005 Lm	2004 Lm	2003 Lm	2005 Lm	2004 Lm	2003 Lm	
Operating activities							
Cash generated from operations	25	3,493,080	3,720,830	2,473,383	425,397	88,616	55,727
Dividends received	6	182,251	110,391	27,057	-	-	-
Interest received	6	344,095	283,985	267,001	-	-	-
Interest paid	6	(23,074)	(32,733)	(15,645)	(80)	(68)	-
Tax (paid)/received		(214,604)	(164,405)	(236)	18,352	-	-
Net cash generated from operating activities		3,781,748	3,918,068	2,751,560	443,669	88,548	55,727
Investing activities							
Purchase of intangible assets	11	(51,084)	(140,841)	(21,988)	-	-	-
Net purchase of property, plant and equipment	13	(299,312)	(229,512)	(120,531)	-	-	-
Purchase of investment property	14	(1,973,406)	(1,619,008)	-	-	-	-
Disposal of investment property		500,000	1,377,149	-	-	-	-
Repayment of loans in connection with purchase of property for own use		(63,325)	(98,798)	(1,616,174)	-	-	-
Purchase of investments in associated undertaking	16	(1,388,900)	-	-	-	-	-
Purchase of investments at fair value through profit or loss	17	(4,426,004)	(3,758,893)	(3,713,239)	-	-	-
Disposal of investments at fair value through profit or loss	17	3,258,521	2,213,755	1,624,776	-	-	-
Net movement on other investments – loans and receivables		687,491	(474,577)	-	-	-	-
Acquisition of subsidiaries net of cash acquired	28	-	-	2,650,186	-	-	(55,727)
Net cash used in investing activities		(3,756,019)	(2,730,725)	(1,196,970)	-	-	-
Financing activities							
Dividends paid	10	(386,320)	(85,850)	-	(386,320)	(85,850)	-
Increase in borrowings	20	944,206	-	-	-	-	-
Net cash generated from/(used in) financing activities		577,886	(85,850)	-	(386,320)	(85,850)	-
Movement in cash and cash equivalents		583,615	1,101,493	1,554,590	57,349	2,698	-
Cash and cash equivalents at beginning of year		2,539,011	1,437,518	(117,072)	2,698	-	-
Cash and cash equivalents at end of year	26	3,122,626	2,539,011	1,437,518	60,047	2,698	-

Accounting policies

This financial information, comprising the Company's and the Group's financial statements for the three years ending 31 December 2003, 2004 and 2005, has been prepared for the purposes of inclusion in the Prospectus dated xx May 2006 issued by Global Financial Services Group p.l.c.

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

1. Basis of preparation

The consolidated financial statements include the financial statements of Global Financial Services Group p.l.c. and its subsidiary undertakings. These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and with the Companies Act, 1995. They also consider the requirements of the Insurance Business Act, 1998 in consolidating the results of British American Insurance Co. (Malta) Ltd, where appropriate. The consolidated financial statements are prepared under the historical cost convention, as modified by the fair valuation of investment property, financial assets at fair value through profit or loss, and the value of in-force business.

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

The Group's balance sheet is presented in increasing order of liquidity, with additional disclosures on the current or non-current nature of the Group's assets and liabilities provided within the notes to the financial statements.

Adoption of new and revised IFRSs

On 1 January 2005, the Group adopted the revisions to IFRSs and new IFRSs which are effective from this date. The adoption of these standards principally resulted in the following changes:

- IFRS 3 "Business Combinations" (issued 2004) – this Standard requires goodwill to be measured at cost less any accumulated impairment losses. Goodwill should be tested for impairment at least on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. Until 31 December 2004, goodwill was amortised using the straight-line method over its estimated useful life at an annual rate of Lm160,244 charged to the profit and loss account.
- IAS 39 "Financial Instruments: Recognition and Measurement" (revised 2004) and the early adoption of "The Fair Value Option", an amendment to IAS 39 issued in June 2005, have mainly affected the categories of financial assets for recognition and measurement purposes. With effect from 1 January 2005, the Group re-designated its available-for-sale financial instruments and investments previously recognised as originated loans and receivables as financial assets at fair value through profit or loss. Fair value gains and losses on the re-measurement of available-for-sale instruments were previously recognised in equity in a revaluation reserve to the extent that they were attributed to Shareholders. Investments designated as originated loans and receivables were previously measured at amortised cost. Transaction costs incurred on the acquisition of investments now designated as fair value through profit or loss were previously included in the initial carrying amount of the investment, and are now charged immediately to the profit and loss account. The effect of adopting the revised standard and the early adoption of "The Fair Value Option" is disclosed in the statement of changes in equity. Net unrealised fair value gains recognised in the profit and loss account for the year ended 31 December 2005, attributable to Shareholders amounted to Lm802,881.

1. Basis of preparation – continued

- IFRS 4 "Insurance Contracts" (issued 2004) - The Group continues to apply the same accounting policies for the recognition and measurement of rights and obligations arising from insurance contracts and investment contracts with a discretionary participating feature (DPF) that it issues and reinsurance contracts that it holds. The Group developed its accounting policies for insurance contracts before the adoption of IFRS 4, and in the absence of a specific standard for insurance contracts, the Directors used their judgement in developing a set of accounting policies for the recognition and measurement of rights and obligations arising from insurance contracts issued and reinsurance contracts held that provide the most useful information to users of the Group's financial statements. In making this judgement, the Directors primarily considered the requirements of the Regulations issued under the Insurance Business Act, 1998. The adoption of IFRS 4 resulted in the reclassification of investment contracts with a DPF, which were previously not separately classified. This reclassification did not have any impact on results or the Group's equity. IFRS 4 has also affected the disclosures in respect of insurance contracts issued, reinsurance contracts held and investment contracts with DPF.
- IAS 24 "Related Party Disclosures" (revised 2003) has affected the identification of related parties and related party disclosures.

All changes in accounting policies have been made in accordance with the transitional provisions in the respective standards. Changes to accounting policies were applied retrospectively, other than the change in the treatment of goodwill which was applied prospectively as required by IFRS 3. In accordance with the transitional provisions of IFRS 4 the disclosure requirements have only been applied to the comparative information required about accounting policies and recognised assets, liabilities, income and expense.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the Group's accounting periods beginning on or after 1 January 2006 or later periods. The Group has not taken the option to early adopt these revisions to the requirements of IFRSs, with the exception of IAS 39 (Amendment) - the Fair Value Option as referred above, and the Group's Directors are of the opinion that there are no other requirements that will have a possible impact on the Group's financial statements in the period of initial application.

2. Consolidation*(a) Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account.

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.

2. Consolidation - continued**(b) Associates**

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movement in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

A listing of the Group's principal associates is set out in Note 16.

3. Intangible assets**(a) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets of the acquired group/associated undertaking or business concern at the date of the acquisition. Goodwill on acquisition of group undertakings is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. 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 balance sheet 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 and loss account. 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 (ranging from four to eight years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

4. Deferred income tax

Deferred income tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination, which at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Currently enacted tax rates 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. 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 and loss account during the financial period in which they are incurred.

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

	%
Buildings	1
Office furniture, fittings and equipment	7½ - 25
Motor vehicles	20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

6. Investment property

Freehold and leasehold properties treated as investments principally comprise buildings that are held for long term rental yields or capital appreciation, and that are not occupied by the Group. Investment property is carried at fair value, representing open market value determined annually by external valuers, or by virtue of a Directors' valuation.

Unrealised gains and losses arising from changes in fair value (net of deferred taxation) are initially recognised in the profit and loss account, and unrealised gains (net of deferred taxation), to the extent that they are not attributed to policyholders in the insurance technical account, are subsequently transferred out of retained earnings to other reserves.

7. Investment in group and associated undertakings

In the Company's financial statements, shares in group and associated 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. The impairment loss is calculated using the same method used for these financial assets. These processes are disclosed in accounting policy 9 (a). On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

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

8. Other investments

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

(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 financial asset is classified into this category at inception if acquired principally for the purpose of selling in the short-term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking, if the financial asset is part of a group of investments 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 investment strategy or if this designation eliminates an accounting mismatch that would otherwise arise from measuring insurance assets or liabilities or recognising the gains and losses on them on different bases. Financial assets classified as held for trading mainly comprise derivatives.

(b) *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 the Group intends to sell in the short term or that it has designated as fair value through profit or loss. They include, inter alia, interest bearing deposits and advances.

All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the assets. All investments 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. Investments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently re-measured at fair value. Loans and receivables are carried at amortised cost using the effective interest method, less any provision for impairment. Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the profit and loss account in the period in which they arise.

The fair value of quoted investments is based on quoted market prices at the balance sheet date. 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.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivative instruments entered into by the Group, principally equity contracts for differences (CFD's), do not qualify for hedge accounting. Changes in the fair value of all such derivative instruments are reflected in the carrying amount of the Group's held for trading instruments included in investments at fair value through profit or loss.

9. Impairment of assets*(a) Impairment of financial assets at amortised cost*

The Group assesses at each balance sheet date 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;
- (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.

The Group first assesses whether objective evidence of impairment exists individually 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 loss. 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 loans and receivables 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 and loss account.

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 and loss account.

(b) Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. These principally comprise goodwill. Assets that are subject to amortisation or depreciation, and 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).

10. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

11. Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Group gathers the objective evidence that a receivable 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 9(a).

12. 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. 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 classified into four main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

(i) 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.

*(ii) 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.

12. Insurance contracts and investment contracts with DPF – continued*(b) Recognition and measurement - continued*

- (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;
 - (c) terminal bonuses accrued at the Group's discretion, and included within the respective liability.
- (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, 1998. 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, 1998. 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 balance sheet date, and adjustment for mortality risk and other benefits.

This long term liability is recalculated at each balance sheet date. 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 premium received on in-force contracts that related to unexpired risks at the balance sheet date.

(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 12(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 and loss account. 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 9(a).

12. Insurance contracts and investment contracts with DPF – continued

(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 and loss account in a similar manner to the process described above for reinsurance contracts held (also see accounting policy 9 (a)).

13. Cash and cash equivalents

For the purposes of the cash flow statement, 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). They are net of the bank overdraft, which is included in current liabilities.

14. Borrowings

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 the profit and loss account over the period of the borrowings using the effective interest method.

Interest costs are charged against income without restriction. No borrowing costs have been capitalised.

15. Share capital

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares as consideration for the acquisition of a business are included in the cost of acquisition as part of the purchase consideration.

16. 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 approved by the Company's Shareholders.

17. 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.

18. 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.

19. Revenue recognition

Revenue comprises the fair value for services and is recognised as follows:

(a) Rendering of services

Premium recognition dealing with insurance contracts and investments contracts with DPF is described in accounting policy 12. Other turnover 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.

19. Revenue recognition - continued

(b) *Interest income*

Interest income from financial assets not classified as fair value through profit or loss is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

(c) *Dividend income*

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

(d) *Rent receivable*

Rent receivable from investment property is accounted for on an accruals basis in accordance with the substance of the relevant lease agreements.

20. 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 Maltese Liri, which is the Group's functional and presentation currency.

(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 and loss account.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

21. Investment return

Investment return comprises investment income, including realised and unrealised investment gains and losses, and is net of investment expenses, charges and interest.

The investment return is allocated between the insurance technical account and the profit and loss account on a basis which takes into account that technical provisions are fully backed by investments and that the value of in-force business, computer software, property, plant and equipment and working capital are financed in their entirety from Shareholders' funds.

22. Leases

Rentals payable under operating leases are charged to the profit and loss account as incurred over the lease term.

Group assets leased out under operating leases are included in investment property. Rental income is recognised in the profit and loss account over the period of the lease to which it relates.

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 (revised), unless further described below.

(a) *Impairment assessment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with accounting policy 3(a). The assessment of the recoverable amount is based on value-in-use calculations and requires the use of estimates on future cash flow projections. A summary of the key estimates applied in making this assessment, and the degree of sensitivity, is provided in Note 11 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.

2. Management of insurance and financial risk

Insurance risk

The Group issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Group manages them.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount 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.

2. Management of insurance and financial risk - continued

Insurance risk - continued

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 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.

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 selective facultative reinsurance. Further, the Group has a "CAT XL" reinsurance arrangement to cover its exposure in the case of an event affecting more than five 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, 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 most important components of financial risk are interest rate risk, credit risk, liquidity and price risk, and currency risk. These risks 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.

2. Management of insurance and financial risk - continued*Financial risk - continued*

The Group's investment policy is formally approved by the Board of Directors. Portfolio review processes and investment decisions are delegated to a dedicated Investment Committee. 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. On average the Committee meets once a month 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.

A subsidiary in the United Kingdom trades in derivative financial instruments on behalf of the Group, consisting in the main of equity contracts for differences (CFDs). The Board places limits on the level of risk undertaken. The Group's exposure to derivatives is monitored on a regular basis. Control structures are in place to assess and monitor exposures and risk thresholds in respect of derivative trading activity. The Directors consider that adequate controls are in place to monitor and control such exposure, and to prevent unauthorised transactions. Note 17 to the financial statements incorporates further information on derivatives.

(a) 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.

Some minimum guaranteed rates are set at limits as low as 3%. Bonus declarations for these products have historically exceeded the minimum guaranteed return by a reasonable margin. Higher guaranteed fixed interest rates may be offered for a short period on the issue of new products (generally not exceeding one year).

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 or at least equal to 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.

Notes 17, 19, 20 and 21 incorporate interest rate and maturity information with respect to the Group's assets and liabilities. The Group is exposed to the risk of fluctuating market interest rates. 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 asset or towards any one counterparty.

(b) Credit risk

The Group has 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 with respect to derivative transactions);
- reinsurers' share of technical provisions;
- trade and other receivables; and
- cash and cash equivalents.

2. Management of insurance and financial risk - continued

(b) *Credit risk - continued*

The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty. 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 17 to these financial statements. Credit risk in respect of derivative investments is not considered to be significant by the Directors due to the controls that are in place to limit the nature or amount of underlying exposures.

Concentration of credit risk in respect of receivables is not deemed to be significant after considering the range of underlying debtors, and their credit worthiness. Receivables are stated net of impairment.

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 annual basis by reviewing their financial strength prior to finalisation of any contract.

(c) *Liquidity and price risk*

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. 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.

The Group's listed securities are considered to be readily realisable as they are listed on the Malta Stock Exchange or on a recognised foreign stock exchange. A significant holding accounted for 9% of the Group's total assets as at 31 December 2005 (2004: 4% and 2003: 4%). Further detail on listed investments is provided in Note 17 to the financial statements.

The Group's financial assets are also susceptible to market price risk arising from uncertainty about the future prices of these investments. This risk is mitigated through the adherence to an investment policy geared towards diversification as described earlier.

(d) *Currency risk*

The Group's exposure to foreign exchange risk arises primarily from investments that are denominated in currencies other than the Maltese lira. As at 31 December, the Group's exposure to foreign currency investments (principally comprising a mix of Euro, US Dollar and UK pound) represented 10% of the Group's total investments (2004: 17% and 2003: 12%). Currency exposure is regulated by the Regulations underlying the Insurance Business Act, 1998, in so far as life assurance business is concerned. It is further noted that Malta joined the Exchange Rate Mechanism II (ERMII) on 29 April 2005 further limiting the Group's exposure to exchange differences arising from investments held in Euro. As a result of all of the above factors, the Directors do not consider the Group's exposure to exchange risk to be significant.

APPENDIX 1 - ACCOUNTANT'S REPORT ON THE ISSUER

3. Segmental analysis

Group

	Investment and advisory services Lm	Business of insurance Lm	Agency and brokerage services Lm	Property services Lm	Eliminations Lm	Group Lm
Year ended 31 December 2005						
Gross premiums written						
- long term business	-	3,863,590	-	-	-	3,863,590
Commission, fees and rent receivable	2,575,982	-	512,323	91,421	(92,767)	3,086,959
Total turnover	2,575,982	3,863,590	512,323	91,421	(92,767)	6,950,549
Segment result before goodwill	921,259	964,444	10,956	56,684	-	1,953,343
Impairment of goodwill (Note 11)	(100,000)	(150,000)	-	-	-	(250,000)
Operating profit	821,259	814,444	10,956	56,684	-	1,703,343
Investment return (Note 6)						922,260
Profit before tax						2,625,603
Income tax expense (Note 7)						(1,011,809)
Profit for the financial year						1,613,794
Segment assets	2,098,920	17,522,828	583,658	4,474,645	(129,838)	24,550,213
Unallocated assets						3,907,422
						28,457,635
Segment liabilities	644,972	14,295,400	112,521	984,726	5,005	16,042,624
Unallocated liabilities						1,217,508
						17,260,132
Other segment items						
Impairment of receivables	10,000	21,543	-	-	-	
Capital expenditure	148,469	61,048	3,597	-	-	
Amortisation	34,453	18,165	2,191	-	-	
Depreciation	80,841	68,255	16,851	-	-	
Unrealised fair value gains						
- investment property	-	50,000	-	-	-	
- financial assets	-	974,491	-	-	-	

APPENDIX 1 - ACCOUNTANT'S REPORT ON THE ISSUER

3. Segmental analysis – continued

Group	Investment and advisory services Lm	Business of insurance Lm	Agency and brokerage services Lm	Property services Lm	Eliminations Lm	Group Lm
Year ended 31 December 2004						
Gross premiums written						
- long term business	-	4,418,134	-	-	-	4,418,134
Commission, fees and rent receivable	1,990,096	-	476,356	84,000	(84,000)	2,466,452
Total turnover	1,990,096	4,418,134	476,356	84,000	(84,000)	6,884,586
Segment result	720,446	289,942	(30,421)	493,707	-	1,473,674
Amortisation of goodwill (Note 11)						(160,244)
Operating profit						1,313,430
Investment return (Note 6)						90,222
Profit before tax						1,403,652
Income tax expense (Note 7)						(344,205)
Profit for the financial year						1,059,447
Segment assets	1,347,524	14,472,620	296,749	995,291	(553,152)	16,559,032
Unallocated assets						5,503,792
						22,062,824
Segment liabilities	329,423	11,578,887	42,413	225,193	(643,927)	11,531,989
Unallocated liabilities						560,806
						12,092,795
Other segment items						
Impairment of receivables	-	3,375	-	-	-	
Capital expenditure	28,241	394,806	20,310	3,966		
Amortisation	24,677	2,668	2,142	-		
Depreciation	69,925	64,544	16,101	-		
Unrealised fair value gains						
- investment property	-	45,000	-	25,000		
- financial assets	-	399,779	-	-		

APPENDIX 1 - ACCOUNTANT'S REPORT ON THE ISSUER

3. Segmental analysis – continued

Group	Investment and advisory services Lm	Business of insurance Lm	Agency and brokerage services Lm	Property services Lm	Eliminations Lm	Group Lm
Year ended 31 December 2003						
Gross premiums written						
- long term business	-	3,478,288	-	-	-	3,478,288
Commission, fees and rent receivable	1,004,669	-	490,441	25,916	(82,238)	1,438,788
Total turnover	1,004,669	3,478,288	490,441	25,916	(82,238)	4,917,076
Segment result	62,474	289,427	161,420	(49,859)	(20,242)	443,220
Amortisation of goodwill (Note 11)						(160,244)
Operating profit						282,976
Investment return (Note 6)						187,255
Profit before tax						470,231
Income tax expense (Note 7)						(167,312)
Profit for the financial year						302,919
Segment assets	1,297,308	9,585,516	323,219	726,928	(1,718,503)	10,214,468
Unallocated assets						6,575,099
						16,789,567
Segment liabilities	191,530	7,037,928	23,291	7,607	(108,595)	7,151,761
Unallocated liabilities						641,374
						7,793,135
Other segment items						
Impairment of receivables	14,331	18,592	-	-		
Capital expenditure	58,878	40,216	36,471	19,554		
Amortisation	23,048	1,099	522	-		
Depreciation	63,392	15,790	12,185	725		
Unrealised fair value gains						
- investment property	-	175,000	-	-		
- financial assets	-	187,923	-	-		

3. Segmental analysis – continued

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. As at 31 December 2005, 2004 and 2003, the Group is organised into four main segments:

- investment and advisory services – the provision of services in terms of the Investment Services Act, 1994;
- life insurance – to carry on long term business of insurance under the Insurance Business Act, 1998; and
- agency and brokerage services – provision of agency or brokerage services for health or other general insurance in terms of the Insurance Business Act, 1998 and the Insurance Brokers and Other Intermediaries Act, 1998; and
- property services – to provide property management and consultancy services, and to handle property acquisitions, disposals and development projects both long and short term.

All the Group's turnover is primarily generated in and from Malta. The above turnover includes inter segment sales amounting to Lm92,767 (2004: Lm84,000 and 2003: Lm82,238).

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, common property utilised by the Group, investments that are not allocated to policyholders and taxation. In 2004 and 2003 they further included goodwill. Unallocated liabilities mainly comprise borrowings connected to the Group's unallocated assets and taxation.

The segment result for investment and advisory services includes a performance fee of Lm716,772 (2004: Lm580,891 and 2003: Lm Nil) that was earned during the year by a group undertaking from its activity as investment advisor to Global Funds SICAV p.l.c. The performance fee is determined with reference to the actual performance of the underlying funds during the relevant accounting period ending 31 July.

4. Expenses by nature

	Group			Company		
	2005 Lm	2004 Lm	2003 Lm	2005 Lm	2004 Lm	2003 Lm
Staff costs (Note 5)	1,388,691	1,211,793	793,962	-	-	-
Commission and direct marketing costs	807,122	651,567	271,781	-	-	-
Amortisation of computer software (Note 11)	54,809	29,487	24,669	-	-	-
Depreciation of property, plant and equipment (Note 13)	183,638	164,671	92,092	-	-	-
Operating lease rentals payable	42,655	91,788	-	-	-	-
Other expenses	907,959	620,025	663,105	10,000	10,681	16,310
	3,384,874	2,769,331	1,845,609	10,000	10,681	16,310
Allocated as follows:						
Technical account:						
- claims incurred	82,265	97,218	82,238	-	-	-
- net operating expenses	1,061,126	852,671	390,656	-	-	-
Non-technical account	2,241,483	1,819,442	1,372,715	10,000	10,681	16,310
	3,384,874	2,769,331	1,845,609	10,000	10,681	16,310

Auditor's remuneration for the current financial year amounted to Lm27,000 (2004: Lm22,400 and 2003: Lm19,000) for the Group and Lm1,000 (2004: Lm500 and 2003: Lm500) for the Company.

Actuarial valuation fees for the current financial year amounted to Lm26,250 (2004: Lm15,500 and 2003: Lm6,500) for the Group.

APPENDIX 1 - ACCOUNTANT'S REPORT ON THE ISSUER

5. Staff costs

	Group			Company		
	2005 Lm	2004 Lm	2003 Lm	2005 Lm	2004 Lm	2003 Lm
Wages and salaries	1,312,325	1,150,720	745,528	759,228	650,938	397,961
Social security costs	76,366	61,073	48,434	37,661	31,689	26,472
	1,388,691	1,211,793	793,962	796,889	682,627	424,433
Recharged to group undertakings	-	-	-	(796,889)	(682,627)	(424,433)
	1,388,691	1,211,793	793,962	-	-	-

The average number of persons employed during the year:

	Group			Company		
	2005	2004	2003	2005	2004	2003
Managerial	36	26	20	20	14	8
Sales	26	22	19	18	13	12
Administrative	61	60	52	30	30	27
	123	108	91	68	57	47

Lm40,000 of staff costs is payable by way of a performance bonus that is linked to the Company's future share price movement over a defined period.

APPENDIX 1 - ACCOUNTANT'S REPORT ON THE ISSUER

6. Investment return

	2005	Group	2003	2005	Company	2003
	Lm	Lm	Lm	Lm	Lm	Lm
Investment income						
Rental income from investment property	86,285	49,692	24,378	-	-	-
Dividends received from shares in group undertakings	-	-	-	538,462	507,692	146,154
Dividends received from investments at fair value through profit or loss	182,251	110,391	27,057	-	-	-
Interest receivable from:						
- investments at fair value through profit or loss	214,160	233,815	219,831	-	-	-
- other loans and receivables	129,935	50,170	47,170	-	-	-
Net fair value gains						
- investment property	50,000	70,000	175,000	-	-	-
Net fair value gains						
- financial investments at fair value through profit or loss	2,507,843	571,497	257,078	-	-	-
Exchange gains	1,206	9,514	-	-	-	-
	3,171,680	1,095,079	750,514	538,462	507,692	146,154
Investment charges and expenses						
Investment management charges, including exchange differences	81,228	73,801	97,963	-	-	-
Interest payable and other charges	23,074	32,733	15,645	80	68	-
	104,302	106,534	113,608	80	68	-
Total investment return	3,067,378	988,545	636,906	538,382	507,624	146,154
Allocated as follows:						
Technical account						
- long term business of insurance	2,145,118	898,323	449,651	-	-	-
Profit and loss account	922,260	90,222	187,255	538,382	507,624	146,154
	3,067,378	988,545	636,906	538,382	507,624	146,154

APPENDIX 1 - ACCOUNTANT'S REPORT ON THE ISSUER

7. Income tax

	Group			Company		
	2005 Lm	2004 Lm	2003 Lm	2005 Lm	2004 Lm	2003 Lm
Income tax expense	397,265	302,319	36,862	188,463	177,633	(18,803)
Deferred income tax charge/(credit) (Note 12)	504,544	(26,114)	93,835	-	-	70,390
Tax relating to value of in-force business	110,000	68,000	36,615	-	-	-
Income tax expense	1,011,809	344,205	167,312	188,463	177,633	51,587

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

	Group			Company		
	2005 Lm	2004 Lm	2003 Lm	2005 Lm	2004 Lm	2003 Lm
Profit before tax	2,625,603	1,403,652	470,231	528,382	496,943	129,844
Tax on profit at 35%	918,961	491,278	164,581	184,934	173,930	45,445
Tax effect of:						
Non-deductible expenditure	146,721	81,786	93,114	3,529	3,703	5,674
Net exempt income	-	(193,162)	(70,061)	-	-	-
Additional allowances available under S.15 of the Income Tax Act	(7,166)	(5,937)	(10,120)	-	-	-
Income subject to a reduced rate of tax	(2,812)	(795)	(6,233)	-	-	-
Other differences	(43,895)	(28,965)	(3,969)	-	-	468
Income tax expense	1,011,809	344,205	167,312	188,463	177,633	51,587

Allocated as follows:

Technical account - long term business of insurance	287,392	42,548	35,742	-	-	-
Profit and loss account	724,417	301,657	131,570	188,463	177,633	51,587
Income tax expense	1,011,809	344,205	167,312	188,463	177,633	51,587

8. Directors' emoluments

	2005	Group		2005	Company	
	Lm	2004	2003	Lm	2004	2003
		Lm	Lm		Lm	Lm
Fees	36,872	36,288	1,000	36,872	36,288	-
Remuneration	111,059	91,182	76,382	111,059	91,182	73,107
	147,931	127,470	77,382	147,931	127,470	73,107

Two of the Directors availed themselves of the use of a company car during the year and the estimated value of these benefits have been included within Directors' remuneration. The Directors are also entitled to participate in a health insurance scheme subsidised by the Group.

The above information for the Company for 2005, 2004 and 2003 includes salaries and emoluments amounting to Lm147,931 (2004: Lm127,470 and 2003: Lm77,382) 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 Lm36,617 (2004: Lm39,309 and 2003: Lm46,020).

9. Earnings per share

Earnings 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.

	2005	Group	
		2004	2003
Net profit attributable to Shareholders	Lm1,613,794	Lm1,059,447	Lm302,919
Weighted average number of ordinary shares in issue	13,207,548	13,207,548	13,207,548
Earnings per share	12c2	8c0	2c3

10. Dividends

At the forthcoming Annual General Meeting, a net dividend of 2.925 cents per share, amounting to a total net dividend of Lm386,320 is to be proposed. These financial statements do not reflect this dividend payable, which will be accounted for in Shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2006. Further, the Directors paid a net interim dividend of Lm128,773 during 2005 equivalent to 0.975 cents per share. The net dividend declared in respect of 2004 and 2003 was Lm257,547 (1.95 cents per share) and Lm85,850 (0.65 cents per share) respectively.

11. Intangible assets

Group

	Goodwill Lm	Value of in-force business Lm	Computer software Lm	Total Lm
At 1 January 2003				
Cost or valuation	-	-	153,004	153,004
Accumulated amortisation	-	-	(73,136)	(73,136)
Net book amount	-	-	79,868	79,868
Year ended 31 December 2003				
Opening net book amount	-	-	79,868	79,868
Acquisitions of subsidiaries	3,219,629	424,000	-	3,643,629
Additions	-	-	21,988	21,988
Increment in value of in-force business (Note 24)	-	68,000	-	68,000
Amortisation charge	(160,244)	-	(24,669)	(184,913)
Closing net book amount	3,059,385	492,000	77,187	3,628,572
At 31 December 2003				
Cost or valuation	3,219,629	492,000	174,992	3,886,621
Accumulated amortisation	(160,244)	-	(97,805)	(258,049)
Net book amount	3,059,385	492,000	77,187	3,628,572
Year ended 31 December 2004				
Opening net book amount	3,059,385	492,000	77,187	3,628,572
Additions	-	-	140,841	140,841
Increment in value of in-force business (Note 24)	-	128,000	-	128,000
Amortisation charge	(160,244)	-	(29,487)	(189,731)
Closing net book amount	2,899,141	620,000	188,541	3,707,682
At 31 December 2004				
Cost or valuation	3,219,629	620,000	315,833	4,155,462
Accumulated amortisation	(320,488)	-	(127,292)	(447,780)
Net book amount	2,899,141	620,000	188,541	3,707,682
Year ended 31 December 2005				
Opening net book amount	2,899,141	620,000	188,541	3,707,682
Additions	-	-	51,084	51,084
Increment in value of in-force business (Note 24)	-	205,000	-	205,000
Amortisation charge	-	-	(54,809)	(54,809)
Impairment charge	(250,000)	-	-	(250,000)
Closing net book amount	2,649,141	825,000	184,816	3,658,957
At 31 December 2005				
Cost or valuation	2,649,141	825,000	366,917	3,841,058
Accumulated amortisation	-	-	(182,101)	(182,101)
Net book amount	2,649,141	825,000	184,816	3,658,957

11. Intangible assets – continued

Amortisation of computer software amounting to Lm54,809 (2004: Lm29,487 and 2003: Lm24,669) is included in administrative expenses.

Impairment tests for goodwill

The goodwill arising on consolidation relates to the acquisition of the local operations of British American Insurance Co. (Mtius) Ltd in 2003.

In part, goodwill relates to synergies and specific investment opportunities which were created as a result of the merger. These elements of goodwill are not expected to have an indefinite life. The significance and measurability of business synergies is diluted as a business evolves, and on this basis an impairment charge of Lm100,000 was reflected during 2005. The balance of this component of goodwill is expected to continue to yield economic benefits over the next 6 years.

No impairment has been recognised on the element of goodwill relating to specific investment projects enabled by the merger, which are as yet at an early stage of their development. An assessment of the recoverable amount of this goodwill has been made by reference to expected cash flows from the investments concerned, covering an expected project duration of 10 years and discounted to present value at a target rate of return of 10.5%. It is anticipated that this element of goodwill will be utilised as the related project profits are realised.

The largest component of the acquired goodwill relates to the business of insurance carried on by GlobalCapital Life Insurance Ltd (formerly British American Insurance Co. (Malta) Ltd). The goodwill allocated to this segment was established with reference to profit projections for the business acquired at the time of merger. The recoverable amount is reassessed annually based on estimates of future expected maintainable earnings, based on three year financial estimates approved by management, which are capitalised at 10% in the case of insurance operations, and at 15% on agency and brokerage services.

In assessing its expectations of future maintainable earnings from insurance operations, management has given cognisance to the inherent uncertainties surrounding any long term projections, and to the impact of sensitivity analyses performed. An impairment charge of Lm150,000 was allocated to this segment on the basis of a sensitivity analysis whereby future earnings were projected at 15% less than expected, which in the Directors' opinion adequately caters for the attendant risks. Should management's expectations of future annual maintainable earnings of the relevant businesses be discounted by a further 5%, i.e. 20% below management's expectations, the Group would need to reduce the carrying value of goodwill by Lm250,000.

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 VOIFB is determined by the Directors on an annual basis, based on the advice of the approved actuary. The valuation assumes a margin, of 3.4% between the weighted average projected investment return and the discount factor applied. The calculation also assumes lapse rates varying from 8 to 15%, and expenses are implicitly inflated. Changes in current year assumptions, as compared to the 2004, and 2003 valuation process, did not have a significant impact on the Group's results.

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 Lm85,000;
- a 10% decrease in the projected margin reduces the VOIFB by Lm100,000; and
- a 10% increase in the discount factor reduces the VOIFB by Lm25,000.

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

12. Deferred income tax

Deferred income taxes are calculated on temporary differences under the liability method using a principal tax rate of 35% (2004 and 2003: 35%).

The movement on the deferred income tax account is as follows:

	Group			Company		
	2005	2004	2003	2005	2004	2003
	Lm	Lm	Lm	Lm	Lm	Lm
Balance at 1 January	20,724	(5,390)	160,871	-	-	-
Acquisition of subsidiaries (Note 28)	-	-	(72,426)	-	-	70,390
Movements during the year:						
Profit and loss account (Note 7)	(504,544)	26,114	(93,835)	-	-	(70,390)
Balance at 31 December	(483,820)	20,724	(5,390)	-	-	-

Deferred taxation at the year end comprises the following temporary differences:

	2005	Group 2004	2003
	Lm	Lm	Lm
Accelerated tax depreciation	(20,966)	(11,726)	1,183
Unabsorbed capital allowances	30,110	30,500	37,173
Unutilised tax losses	64,880	71,810	57,076
Provision for impairment of receivables	30,804	19,764	18,582
Fair value adjustments			
- financial investments	(435,383)	21,130	42,681
- investment property	(153,265)	(110,754)	(162,085)
Net deferred income tax (liability)/asset	(483,820)	20,724	(5,390)

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. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	2005	Group 2004	2003
	Lm	Lm	Lm
Deferred tax asset	34,095	48,496	118,931
Deferred tax liability	(517,915)	(27,772)	(124,321)
	(483,820)	20,724	(5,390)

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

The deferred tax asset on unutilised tax losses and unabsorbed capital allowances has been recognised to the extent that realisation of the related tax benefit through future taxable income is probable.

The Group had further unutilised tax losses amounting to Lm169,000 (2004: Lm169,000 and 2003: Lm104,055) available for relief against future taxable income. These losses give rise to a further deferred tax asset of Lm59,150 (2004: Lm59,150 and 2003: Lm36,419) that has not been recognised in these financial statements. These losses are capital in nature and can only be relieved against future capital losses.

13. Property, plant and equipment

Group	Land and buildings Lm	Office furniture, fittings & equipment Lm	Motor vehicles Lm	Total Lm
At 1 January 2003				
Cost	-	1,052,255	16,115	1,068,370
Accumulated depreciation	-	(532,073)	(16,115)	(548,188)
Net book amount	-	520,182	-	520,182
Year ended 31 December 2003				
Opening net book amount	-	520,182	-	520,182
Acquisitions of subsidiaries (Note 28)	1,629,642	80,224	15,022	1,724,888
Additions	-	56,752	76,379	133,131
Disposals	(2,453)	-	(11,306)	(13,759)
Depreciation charge	(163)	(82,087)	(9,842)	(92,092)
Closing net book amount	1,627,026	575,071	70,253	2,272,350
At 31 December 2003				
Cost	1,627,189	1,189,231	96,210	2,912,630
Accumulated depreciation	(163)	(614,160)	(25,957)	(640,280)
Net book amount	1,627,026	575,071	70,253	2,272,350
Year ended 31 December 2004				
Opening net book amount	1,627,026	575,071	70,253	2,272,350
Additions	3,206	146,416	156,860	306,482
Disposals	-	(308)	-	(308)
Transferred to investment property (Note 14)	(295,000)	-	-	(295,000)
Depreciation charge	(14,101)	(105,332)	(45,238)	(164,671)
Depreciation released on disposals	-	308	-	308
Closing net book amount	1,321,131	616,155	181,875	2,119,161
At 31 December 2004				
Cost	1,335,395	1,335,339	253,070	2,923,804
Accumulated depreciation	(14,264)	(719,184)	(71,195)	(804,643)
Net book amount	1,321,131	616,155	181,875	2,119,161

13. Property, plant and equipment - continued

Group	Land and buildings Lm	Office furniture, fittings & equipment Lm	Motor vehicles Lm	Total Lm
Year ended 31 December 2005				
Opening net book amount	1,321,131	616,155	181,875	2,119,161
Additions	137,455	113,555	48,475	299,485
Disposals	-	(269)	-	(269)
Depreciation charge	(17,691)	(117,506)	(48,441)	(183,638)
Depreciation released on disposals	-	96	-	96
Closing net book amount	1,440,895	612,031	181,909	2,234,835
At 31 December 2005				
Cost	1,472,850	1,448,625	301,545	3,223,020
Accumulated depreciation	(31,955)	(836,594)	(119,636)	(988,185)
Net book amount	1,440,895	612,031	181,909	2,234,835

Land and buildings amounting to Lm900,000 are hypothecated in connection with bank finance obtained by the Group (Note 20).

14. Investment property

Group	2005 Lm	2004 Lm	2003 Lm
Year ended 31 December			
Opening net book amount	2,030,833	1,595,000	400,000
Additions	1,973,406	1,515,570	-
Transferred from property, plant and equipment (Note 13)	-	295,000	-
Acquisitions of subsidiaries (Note 28)	-	-	1,020,000
Disposals	-	(1,444,737)	-
Fair value gains (Note 6)	50,000	70,000	175,000
Closing net book amount	4,054,239	2,030,833	1,595,000
At 31 December			
Cost	3,687,798	1,714,392	1,348,559
Accumulated fair value gains	366,441	316,441	246,441
Net book amount	4,054,239	2,030,833	1,595,000

The investment properties are professionally valued on 31 December at fair value comprising open market value by independent professionally qualified valuers, or by virtue of a Directors' valuation where market circumstances indicate that fair values have not changed materially. Payments on account of property commitments where title had not transferred to the Group as at 31 December are included in investment property and amounted to Lm2,308,219 as at 31 December 2005 (2004: Lm388,359 and 2003: Lm Nil).

14. Investment property - continued

If investment property were stated on the historical cost basis, the amounts would be as follows:

	2005	Group	2003
	Lm	2004	Lm
		Lm	Lm
At 31 December			
Cost	3,687,789	1,714,392	1,348,559
Accumulated depreciation	(34,178)	(16,639)	(2,700)
Net book amount	3,653,611	1,697,753	1,345,859

15. Investment in group undertakings

Company	Lm
Year ended 31 December 2005 and 2004	
Closing cost and net book amount	9,080,362
Year ended 31 December 2003	
Opening cost and net book amount	2,817,088
Additions (Note 28)	6,263,274
Closing cost and net book amount	9,080,362

On 16 January 2003, the Group acquired a 100% interest in the local operations of British American Insurance Co. (Mtius.) Ltd. The details of the acquisition are set out in Note 28.

By virtue of a Shareholders' resolution dated 24 May 2002, the Shareholders approved the acquisition of the property previously leased by the Group. The resolution came into effect on 16 January 2003, when the Group acquired the local operations of British American Insurance Co. (Mtius.) Ltd as referred to above. Title to this property was transferred to the Group through the investment of a 99% interest in Globe Properties Limited (formerly known as Propertyline 1 Limited). The details of the acquisition are set out in Note 28.

15. Investments in group undertakings – continued

The principal group undertakings at 31 December 2005 are shown below:

Group undertakings	Registered office	Class of shares held	Percentage of shares held		
			2005	2004	2003
Brammer Limited	City of Sofia Region of Mladost, H.E. 'Mladost', Bl. 434, Floor 5 App 114, Bulgaria	Ordinary shares	100%	100%	-
Britam Limited	120, The Strand, Gzira	Ordinary shares	100%	100%	100%
British American Insurance Co. (Malta) Ltd*	120, The Strand, Gzira	Ordinary shares	100%	100%	100%
BUPA Agencies Limited*	120, The Strand, Gzira	Ordinary 'A' shares	100%	100%	100%
Central Landmark Development Limited	120, The Strand, Gzira	Ordinary shares	100%	100%	100%
GFSG (UK) Limited	138, Piccadilly, London, UK	Ordinary shares	100%	100%	100%
Global Estates Limited	120, The Strand, Gzira	Ordinary 'A' shares	100%	-	-
Globe Financial Management Limited*	120, The Strand, Gzira	Ordinary shares	100%	100%	100%
Globe Fund Advisors Limited*	120, The Strand, Gzira	Ordinary shares	100%	100%	100%
Global Group Investments Limited*	120, The Strand, Gzira	Ordinary shares	100%	100%	100%
Globe Holding Limited*	120, The Strand, Gzira	Ordinary shares	100%	100%	100%
Globe Properties Limited	120, The Strand, Gzira	Ordinary shares	99%	99%	99%
MY Insurance Brokers Limited*	120, The Strand, Gzira	Ordinary shares	100%	100%	100%
Quadrant Italia SRL	Via Bruxelles, 34 CAP 00100 Roma RM, Italy	Ordinary Shares	100%	-	-
Quadrant Limited*	120, The Strand, Gzira	Ordinary shares	100%	100%	100%

All new subsidiaries acquired during 2005 relate to companies incorporated by Global Financial Services Group p.l.c.

*After the financial year end, the names of these subsidiaries changed to reflect the Group's re-branding to GlobalCapital.

The distribution of dividends by most subsidiary undertakings is restricted by the solvency requirements of relevant legislation, mainly the Insurance Business Act, 1998, the Insurance Brokers and Other Intermediaries Act, 1998 and the Investment Services Act, 1994.

16. Investment in associated undertaking

Group	Lm
Year ended 31 December 2005	
Addition	1,388,900
Share of loss of associated undertaking	(382)
Closing net book amount	<u>1,388,518</u>

The associated undertaking at 31 December:

Associate	Registered office	Class of shares held	Percentage of shares held 2005
Metropolis Developments Limited	Level 14, Portomaso Business Tower, Portomaso, St. Julians, Malta	Ordinary 'A' shares	41%

On 26 January 2005, the Group acquired a 41% shareholding in Metropolis Developments Limited, a property development company. At 31 December 2005, Metropolis Developments Limited's assets amounted to Lm3,431,386 and liabilities amounted to Lm32,318. The Company registered a loss during the period ended 31 December 2005 of Lm932.

Related parties subscribing to Metropolis Developments Limited include Pace Investments Limited, a company owned by Christopher J. Pace, Chairman to and Director of the Global Financial Services Group p.l.c. Board. He is also a significant Shareholder in Global Financial Services Group p.l.c. Another related party is Aqisons Company Limited, a company partially owned by David Aquilina (33%), a non executive Director of Britam Limited, a subsidiary within the Group. Subscriptions made by Pace Investments Limited and Aqisons Company Limited were Lm798,000 and Lm380,000 respectively.

Commitments in relation to the above investment, representing uncalled share capital as at the financial year end, amounted to Lm245,100.

17. Other investments

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

	2005 Lm	2004 Lm	2003 Lm
Fair value through profit or loss	11,413,975	7,738,649	5,622,014
Loans and receivables	682,930	1,370,421	893,983
Total investments	12,096,905	9,109,070	6,515,997

17. Other investments - continued

(a) Investments at fair value through profit or loss

	2005 Lm	2004 Lm	2003 Lm
Equity securities and collective investment schemes:			
- listed shares	3,837,295	2,591,916	1,088,603
- collective investment schemes	2,612,267	2,003,515	354,750
- unlisted securities	110,845	100,963	-
	6,560,407	4,696,394	1,443,353
Debt securities – fixed interest rate:			
- government bonds	3,730,508	2,075,117	3,084,590
- listed corporate bonds	1,047,185	784,362	1,029,082
- unlisted corporate bonds	-	66,000	42,090
	4,777,693	2,925,479	4,155,762
Held for trading investments:			
- derivatives (CFDs)	75,875	116,776	22,899
	11,413,975	7,738,649	5,622,014
Maturity of fixed income debt securities:			
	2005 Lm	2004 Lm	2003 Lm
Within 1 year	276,654	353,178	50,675
Between 1 and 2 years	111,003	277,864	102,500
Between 2 and 5 years	700,584	2,192,433	476,857
Over 5 years	3,689,452	102,004	3,525,730
	4,777,693	2,925,479	4,155,762
Weighted average effective interest rate at balance sheet date	6.0%	6.7%	6.5%

All other securities classified as fair value through profit or loss are non-current in nature.

17. Other investments – continued

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

Investments amounting to Lm1,011,350 (2004: Lm212,500 and 2003: Lm185,000) were pledged in favour of third parties at the financial year end.

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

	2005 Lm	2004 Lm	2003 Lm
Year ended 31 December			
Balance at 1 January			
As previously classified:			
- available-for-sale	7,538,073	5,199,763	1,003,441
- originated loans and receivables	83,800	399,352	115,000
- held for trading investments	116,776	22,899	-
Investments reclassified as fair value through profit or loss	7,738,649	5,622,014	1,118,441
Acquisitions of subsidiaries (Note 28)	-	-	2,970,972
Additions	4,426,004	3,758,893	2,053,111
Disposals (sale and redemption) – cost	(2,517,513)	(2,322,226)	(696,941)
Net fair value gains	1,766,835	679,968	176,431
Balance at 31 December	11,413,975	7,738,649	5,622,014
At 31 December			
Cost	9,261,599	7,353,108	5,916,441
Accumulated fair value gains	2,152,376	385,541	(294,427)
Net book amount	11,413,975	7,738,649	5,622,014

The Group's investments at fair value through profit or loss include held for trading instruments, consisting of funds held with a broker for investment in derivative financial instruments, principally CFDs and index futures. As at the balance sheet date, the Group's outstanding derivative contracts consisted of equity CFDs with a notional amount of Lm190,850 (2004: Lm443,000 and 2003: Lm 228,846), which is based on the fair value of the underlying equity instruments as at year end. Unrealised gains and losses arising on the underlying equity positions are reflected in the carrying amount of the Group's held for trading instruments. CFDs are traded principal-for-principal with no market quote, are open-ended and positions can be settled at carrying amounts featuring on the respective CFD account.

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17. Other investments – continued

(b) Loans and receivables

	2005 Lm	2004 Lm	2003 Lm
Other loans	32,516	55,676	368,799
Deposits with banks or credit institutions	650,414	1,314,745	525,184
	682,930	1,370,421	893,983
Maturity of deposits with banks or credit institutions:			
	2005 Lm	2004 Lm	2003 Lm
Within 3 months	650,414	1,314,745	525,184
Weighted average effective interest rate at balance sheet date	3.1%	2.8%	3.6%

Loans secured on policies, included in other loans, amounted to Lm32,516 as at 31 December 2005 (2004: Lm55,676 and 2003: Lm42,726) and are substantially non-current in nature. They are charged with interest at the rate of 8% (2004 and 2003: 8%) per annum.

18. Technical provisions

	2005 Lm	Group 2004 Lm	2003 Lm
Insurance contracts	6,364,424	5,440,955	4,717,072
Investment contracts with DPF	6,920,737	4,691,000	1,923,386
Total technical provisions	13,285,161	10,131,955	6,640,458

The movement in technical provisions is charged to the insurance technical profit and loss account.

18. **Technical provisions** - continued

Insurance contracts are further analysed as follows:

	2005	Group 2004	2003
	Lm	Lm	Lm
Gross technical provisions – insurance contracts			
Short term insurance contracts			
- claims outstanding	31,275	43,578	15,000
- other provisions	96,000	38,000	21,082
Long term insurance contracts			
- claims outstanding	259,925	295,077	75,334
- long term business provision	6,476,000	5,594,000	4,643,593
	6,863,200	5,970,655	4,755,009
Reinsurers' share of technical provisions – insurance contracts			
Short term insurance contracts			
- claims outstanding	6,776	19,740	13,500
- other provisions	33,000	11,000	511
Long term insurance contracts			
- claims outstanding	199,000	220,960	11,000
- long term business provision	260,000	278,000	12,926
	498,776	529,700	37,937
Net technical provisions – insurance contracts			
Short term insurance contracts			
- claims outstanding	24,499	23,838	1,500
- other provisions	63,000	27,000	20,571
Long term insurance contracts			
- claims outstanding	60,925	74,117	64,334
- long term business provision	6,216,000	5,316,000	4,630,667
	6,364,424	5,440,955	4,717,072

Investment contracts with DPF include claims outstanding amounting to Lm16,737 (2004 and 2003: Lm Nil). The above liabilities are non-current in nature.

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 Group's own experience. A weighted average rate of investment return is applied in accordance with the Insurance Business (Insurers' Assets and Liabilities) Regulations, 2004, 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.

18. **Technical provisions** – continued

Long term contracts – assumptions, changes in assumptions and sensitivity - continued

(b) *Changes in assumptions*

During the year, investment return assumptions were revised downwards in accordance with market interest movements. Revisions were also effected to mortality and policy expense expectations. The combined impact of these changes in assumptions was not significant, and has been charged against the insurance technical result for the year.

(c) *Sensitivity analysis*

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

Variable	Increase in liability Lm
10% loading applied to mortality assumptions	13,000
Lowering of investment return by 6.25%	34,000

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.

19. **Trade and other receivables**

	2005 Lm	Group 2004 Lm	2003 Lm	2005 Lm	Company 2004 Lm	2003 Lm
Trade receivables – third parties	642,526	434,856	375,808	-	-	-
Trade receivables – related parties	12,940	143,946	29,111	-	-	-
Less: impairment of receivables	(88,011)	(56,468)	(53,093)	-	-	-
Trade receivables – net	567,455	522,334	351,826	-	-	-
Other loans and receivables:						
Receivables from group undertakings	-	-	-	712,000	337,523	106,525
Receivables from associated undertakings	39,929	-	-	-	-	-
Receivables from related parties	46,421	465,858	410,975	-	-	-
Amount receivable in respect of sale of property	-	500,000	-	-	-	-
Other taxation receivables	144,857	10,084	10,721	-	-	-
Prepayments	130,919	125,664	135,908	-	-	-
Accrued income	101,674	66,204	101,480	-	-	-
Other receivables	133,157	177,058	76,854	463	35,514	-
	1,164,412	1,867,202	1,087,764	712,463	373,037	106,525

19. Trade and other receivables - continued

In 2004, the amount of Lm500,000 receivable in respect of the sale of property was secured by virtue of a banker's guarantee.

Amounts owed by group undertakings and related parties are unsecured, interest free and are repayable on demand.

All of the above amounts are current in nature.

Interest-bearing automatic premium loans are classified as investments in Note 17 to the financial statements.

20. Interest-bearing borrowings

	2005	Group	
	Lm	2004	2003
		Lm	Lm
Long term – falling due after more than one year			
Bank loan	1,215,760	288,420	-
Short term – falling due within one year			
Bank overdraft (Note 26)	95,637	24,917	12,656
Bank loan	24,499	70,958	430,984
Loan from related party	-	-	27,192
	120,136	95,875	470,832
Total borrowings	1,335,896	384,295	470,832

The bank loan carries interest at a floating rate and is secured by a pledge on investments, a hypothec on a subsidiary's assets, and by a letter of undertaking from the group. The bank loan bears interest at a rate of 4.5% (2004: 6.0% and 2003: 6.7%) per annum.

The maturity of long term borrowings is as follows:

	2005	Group	
	Lm	2004	2003
		Lm	Lm
Between 1 and 2 years	110,531	81,512	-
Between 2 and 5 years	366,603	206,908	-
Over 5 years	738,626	-	-
	1,215,760	288,420	-

The bank overdraft facility is secured by a pledge on investment, and bears interest at a floating interest rate of 4.35% (2004: 5.5% and 2003: 5.8%) per annum.

As at 31 December 2003, the loan from a related party was unsecured, carried interest at a fixed rate of 7% and was repayable on demand.

21. Trade and other payables

	Group			Company		
	2005 Lm	2004 Lm	2003 Lm	2005 Lm	2004 Lm	2003 Lm
Trade payables	400,488	349,690	267,337	-	-	-
Amounts due to group undertakings	-	-	-	436,514	2,685	-
Amounts due to related parties	10,208	10,208	-	-	-	-
Other taxation and social security	16,997	18,100	14,808	-	-	-
Accruals and deferred income	687,313	369,376	165,569	5,532	5,622	2,000
Other payables	122,489	91,354	33,351	20,587	29,502	-
	1,237,495	838,728	481,065	462,633	37,809	2,000

All of the above amounts are payable within one year.

Amounts owed to group undertakings and related parties are unsecured, interest free and are repayable on demand.

22. Share capital

	Group and Company		
	2005 Lm	2004 Lm	2003 Lm
Authorised			
30,000,000 Ordinary shares of 12c5 each	3,750,000	3,750,000	3,750,000
Issued and fully paid			
13,207,548 Ordinary shares of 12c5 each	1,650,943	1,650,943	1,650,943

On 16 January 2003, the Company issued 31,037,736 Ordinary shares with a nominal value of 2c5 per share as consideration for the acquisition of the local operations of British American Insurance Co. (Mtius) Ltd (Note 28).

By virtue of an extraordinary resolution dated 25 July 2003, the Company re-designated its authorised and issued share capital into fully paid up shares having a nominal value of 12c5 each.

23. Share premium account

	Group and Company		
	2005 Lm	2004 Lm	2003 Lm
Share premium	7,285,496	7,285,496	7,285,496

On 16 January 2003, the Company issued 31,037,736 ordinary shares at premium of 17c5 per share as consideration for the acquisition of the local operations of British American Insurance Co. (Mtius) Ltd (Note 28).

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24. Other reserves

Group

	Value of in-force business Lm	Other unrealised gains Lm	Total Lm
Year ended 31 December 2003			
Opening balance	-	46,437	46,437
Fair value gains on investment property, net of deferred income tax, transferred from retained earnings	-	81,250	81,250
Increment in value of in-force business, transferred from retained earnings (Note 11)	68,000	-	68,000
Closing balance	68,000	127,687	195,687
Year ended 31 December 2004			
Opening balance	68,000	127,687	195,687
Fair value gains on investment property, net of deferred income tax, transferred from retained earnings	-	(71,500)	(71,500)
Increment in value of in-force business, transferred from retained earnings (Note 11)	128,000	-	128,000
Closing balance	196,000	56,187	252,187
Year ended 31 December 2005			
Opening balance	196,000	56,187	252,187
Fair value gains on investment property, net of deferred income tax, transferred from retained earnings	-	15,391	15,391
Increment in value of in-force business, transferred from retained earnings (Note 11)	205,000	-	205,000
Closing balance	401,000	71,578	472,578

The above reserves are not distributable.

25. Cash generated from operations

Reconciliation of operating profit/(loss) to cash generated from operations:

	Group			Company		
	2005	2004	2003	2005	2004	2003
	Lm	Lm	Lm	Lm	Lm	Lm
Operating profit/(loss)	1,703,343	1,313,430	282,976	(10,000)	(10,681)	(16,310)
Adjustments for:						
Investment income allocated to operating profit	(2,138,855)	(1,345,330)	(474,223)	-	-	-
Share of loss of associated undertaking	382	-	-	-	-	-
Increment in value of in-force business	(315,000)	(196,000)	(104,615)	-	-	-
Technical provisions (net)	3,153,206	3,491,497	2,715,516	-	-	-
Impairment/amortisation (Note 11)	304,809	189,731	184,913	-	-	-
Depreciation (Note 13)	183,638	164,671	92,092	-	-	-
Loss on disposal of fixed assets	-	-	1,159	-	-	-
Impairment of receivables (Note 19)	31,543	22,842	32,923	-	-	-
Changes in working capital:						
Trade and other receivables	171,247	(277,674)	(349,004)	10,573	63,488	70,037
Trade and other payables	398,767	357,663	91,646	424,824	35,809	2,000
Cash generated from operations	3,493,080	3,720,830	2,473,383	425,397	88,616	55,727

Non cash transactions:

In 2003 the principal non cash transaction was the acquisition of the local operation of British American Insurance Co. (Mtius.) Ltd (Note 28).

It is further noted that the Group assumed a bank loan (Note 20) directly related to the property acquired through Propertyline 1 Limited (Note 28).

26. Cash and cash equivalents

For the purposes of the cash flow statement, the year end cash and cash equivalents comprise the following:

	Group			Company		
	2005	2004	2003	2005	2004	2003
	Lm	Lm	Lm	Lm	Lm	Lm
Cash at bank and in hand	3,218,263	2,563,928	1,450,174	60,047	2,698	-
Bank overdraft	(95,637)	(24,917)	(12,656)	-	-	-
	3,122,626	2,539,011	1,437,518	60,047	2,698	-

27. Fair values

The fair value of publicly traded securities and assets held for trading is based on quoted market prices at the balance sheet date. The fair value of unlisted equities is determined by using appropriate valuation techniques.

At 31 December 2005, 2004 and 2003, the carrying amounts of other financial assets and liabilities approximated their fair values with the exception of the financial liabilities emanating from investment contracts with DPF. It is impracticable to determine the fair value of these contracts due to the lack of a reliable basis to measure the future discretionary return that is a material feature of these contracts.

28. Acquisitions

On 16 January 2003, the Group acquired a 100% interest in the local operations of British American Insurance Co. (Mtius) Ltd. The companies acquired were as follows:

- British American Insurance Co. (Malta) Ltd, which carries out life assurance business;
- BUPA Agencies Limited, which acts as an insurance agent for BUPA Insurance Ltd (U.K.) for sickness insurance (general business);
- Britam Limited, which holds investment property.

The acquired business contributed revenues of Lm3,968,729 and an operating profit of Lm415,105 to the Group for the period from 16 January 2003 to 31 December 2003. Its assets and liabilities at 31 December 2003 were Lm10,721,663 and Lm7,379,324 respectively.

Details of net assets acquired and goodwill are as follows:

	Lm
Purchase consideration:	
- Cash paid	55,727
- Fair value of shares issued - 31,037,736 shares issued at 20 cents per share (Note 23)	6,207,547
Total purchase consideration (Note 15)	<u>6,263,274</u>
Fair value of net assets acquired	(3,043,645)
Goodwill arising on acquisition (Note 11)	<u>3,219,629</u>

28. Acquisitions – continued

The assets and liabilities arising from the acquisition are as follows:

	Total Lm
Value of in-force business	424,000
Tangible assets - plant and equipment	99,888
Tangible assets - investment property (Note 14)	575,000
Other financial assets (Notes 15, 17, 19)	3,110,863
Debtors and prepayments	278,198
Cash at bank and in hand	2,696,777
Long term business provision	(3,891,442)
Claims outstanding	(33,500)
Trade and other creditors	(143,713)
Deferred taxation (Note 12)	(72,426)
Net assets transferred	<u>3,043,645</u>
Goodwill (Note 11)	3,219,629
Total purchase consideration	<u>6,263,274</u>
Less:	
Discharged by shares issued	(6,207,547)
Cash and cash equivalents in subsidiaries acquired	<u>(2,696,777)</u>
Cash inflow on acquisition	<u>(2,641,050)</u>

By virtue of a Shareholders' resolution dated 24 May 2002, the Shareholders approved the acquisition of the property previously leased by the Group. This resolution came into effect on 16 January 2003 when the Group acquired the local operations of British American Insurance Co. (Mtius) Ltd. Title to this property was transferred to the Group through the investment of 99,000 shares of Lm1 each in Globe Properties Limited (formerly known as Propertyline 1 Limited).

The assets and liabilities acquired were as follows:

	Lm
Tangible assets - property for own use (Note 13)	1,625,000
- investment property (Note 14)	445,000
Debtors	10,402
Taxation recoverable	508
Cash at bank and in hand	108,136
Borrowings	(2,074,350)
Trade and other creditors	(15,696)
Net assets transferred	<u>99,000</u>
Less:	
Cash and cash equivalents in subsidiary acquired	(108,136)
Cash inflow on acquisition	<u>(9,136)</u>

29. Related party transactions

Transactions during the year with related parties, including Directors, and entities related by way of common Directors and ultimate Shareholders, were as follows:

	2005	Group	
	Lm	2004	2003
		Lm	Lm
Commission receivable from related parties	120,316	185,359	107,213
Commission receivable on investments made by Global Funds SICAV p.l.c. (see note below)	16,027	13,598	39,434
Fees receivable in respect of advice provided to Global Funds SICAV p.l.c. (see note below)	785,416	659,370	110,738
Rent payable to companies with common ultimate Shareholders	16,874	75,000	132,469
Income receivable from Globe Financial Stockbrokers Limited	-	-	2,746

GlobalCapital Fund Advisors Limited (formerly known as Globe Fund Advisors Limited), a group undertaking, acts as Investment Advisor to Global Funds SICAV p.l.c. The advisory and performance fees earned by this group undertaking from its activity as Investment Advisor are included in turnover. The Chief Risk Officer of the Group is also a Director of Global Funds SICAV p.l.c.

In 2003, the Group acquired the property that it previously occupied through a leasing arrangement with a related party for a consideration of Lm2,070,000 as approved by a Shareholders' resolution dated 24 May 2002 (Note 28).

Amounts owed by or to Group undertakings and related parties, resulting mainly in connection with the above transactions are disclosed in Notes 19 and 21 to these financial statements.

No impairment loss has been recognised in 2005, 2004 and 2003 in respect of receivables from related parties.

The compensation to Directors in 2005, 2004 and 2003 is disclosed in Note 8 to the financial statements.

Investments in related entities as at 31 December 2005 were Lm572,636 (2004: Lm1,305,398 and 2003: Lm 233,606).

30. 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:

	2005	Group	
	Lm	2004	2003
		Lm	Lm
Not later than one year	39,087	37,970	30,075
Later than one year and not later than five years	67,307	106,394	129,199
	106,394	144,364	159,274

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:

	2005	Group	
	Lm	2004	2003
		Lm	Lm
Not later than one year	41,563	40,035	38,128
Later than one year and not later than five years	22,276	63,839	103,874
	63,839	103,874	142,002

Capital commitments

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2005	Group	
	Lm	2004	2003
		Lm	Lm
Authorised and contracted:			
- computer software	122,000	50,000	60,000
- investment property	981,000	730,000	1,815,000
	1,103,000	780,000	1,875,000
Authorised but not contracted:			
- property, plant and equipment	267,940	105,086	-

31. Statutory information

Global Financial Services Group p.l.c. is a limited liability company and is incorporated in Malta.

32. Comparative information

Certain comparative information has been reclassified to conform with the current year's disclosure for the purpose of fairer presentation.

LETTER OF CONSENT

The Directors
Global Financial Services Group p.l.c.
120 The Strand
Gzira GZR 03
Malta

10 May 2006

Dear Sirs

Issue of Bonds ("the Issue") by Global Financial Services Group p.l.c. ("the Company")

We hereby consent to the inclusion in the Prospectus, to be dated 10 May 2006, of our accountants' report on the financial information of Global Financial Services Group p.l.c. (and the references thereto and to our name) in the form and context in which they are included.

We attach a proof of the proposed Prospectus initialled by us for identification purposes only.

Yours faithfully

PRICEWATERHOUSECOOPERS 

Valletta
Malta

APPENDIX 3 - SPECIMEN APPLICATION FORM



Global Financial Services Group p.l.c.
€10,000,000 5.6% 2014-16 Bonds

APPLICATION FORM

Application
Number

Please read the notes overleaf before completing this Application Form. **Mark 'X' if applicable.**

APPLICANT (see notes 2 to 6)			
A	<input type="checkbox"/> Non-Resident	<input type="checkbox"/> CIS-Prescribed Fund	<input type="checkbox"/> Minor (under 18) <input type="checkbox"/> Body Corporate / Body of Persons
B	TITLE (Mr/Mrs/Ms/.....)	FULL NAME & SURNAME / REGISTERED NAME	
	ADDRESS		
			POST CODE
	MSE A/C NO. (if applicable)	ID CARD / PASSPORT / COMPANY REG. NO.	TEL. NO. MOBILE NO.
C	ADDITIONAL (JOINT) APPLICANTS (see note 2) (please use additional Application Forms if space is not sufficient)		
	TITLE (Mr/Mrs/Ms/.....)	FULL NAME & SURNAME / REGISTERED NAME	ID CARD / PASSPORT NO.
	TITLE (Mr/Mrs/Ms/.....)	FULL NAME & SURNAME / REGISTERED NAME	ID CARD / PASSPORT NO.
D	MINOR'S PARENTS / LEGAL GUARDIAN/S (see note 4) (to be completed ONLY if the Applicant is a minor)		
i	TITLE (Mr/Mrs/Ms/.....)	FULL NAME & SURNAME / REGISTERED NAME	ID CARD / PASSPORT NO.
ii	TITLE (Mr/Mrs/Ms/.....)	FULL NAME & SURNAME / REGISTERED NAME	ID CARD / PASSPORT NO.
E	I / WE APPLY TO PURCHASE AND ACQUIRE (see notes 7 & 8)		
	AMOUNT IN FIGURES €	AMOUNT IN WORDS	
	Global Financial Services Group p.l.c. 5.6% Bonds 2014-16 (minimum €2,500 and in multiples of €100 thereafter) or any smaller amount of Bonds for which this Application may be accepted at the Bond Issue Price as defined in the Prospectus dated 10 May 2006 (the "Prospectus") payable in full upon application under the Terms and Conditions as defined in the Prospectus.		
F	WITHHOLDING TAX ON INTEREST (see note 9) (to be completed ONLY if the Applicant is a resident)		
	<input type="checkbox"/> I / We elect to have Final Withholding Tax deducted from my / our interest.		
	<input type="checkbox"/> I / We elect to receive interest GROSS (i.e. without deduction of Withholding Tax).		
G	INTEREST MANDATE (see note 9) (to be completed ONLY if the Applicant wishes to have interest paid directly to a bank account)		
	BANK	BRANCH	ACCOUNT NUMBER
H	I/We have fully understood the instructions for completing this Application Form, and am / are making this Application solely on the basis of the prospectus. Furthermore, I/we confirm that this is the only Application Form I/we am/are submitting on my/our behalf or on behalf of the company or other entity I/we represent.		
	Signature/s of Applicant/s (both parents or legal guardian are/is to sign if Applicant is a minor) (all parties are to sign in the case of a joint Application)		Date
	Authorised Distributor's Stamp		Authorised Distributor's Code

APPENDIX 3 - SPECIMEN APPLICATION FORM – continued**Notes on how to complete this Application Form and other information**

The following notes are to be read in conjunction with the Prospectus dated 10 May 2006

1. The Application Form is to be completed in BLOCK LETTERS.
2. Applicants are to insert full personal details in Panel B. In the case of an application by more than one person (including husband and wife) full details of all individuals – including I.D. Card Numbers – must be given in Panels B and C but the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Bond. Interest, redemption proceeds and any refund cheques will be issued in Euro in the name of such Bondholder.
3. Non-Resident applicants must indicate their passport number in Panel B. Applications must be accompanied by the corresponding amount in Euro of the Bonds applied for.
4. In the case of an Applicant who is a minor, the word 'minor' must be indicated in Panel B next to the Applicant's name and the relative box in Panel A must also be marked. A Public Registry birth certificate must be attached to the Application Form. (The birth certificate is not required if the minor already holds securities which are listed on the Malta Stock Exchange (MSE)). The Application Form must be signed by both parents or by the legal guardian/s. (Interest, redemption proceeds and any refund cheques will be made payable to the parent / legal guardian named in Panel D(i) until such time as the Company is notified that the minor named in Panel B has attained the age of 18). The address to be inserted in Panel B is to be that of the parents / legal guardian.
5. In the case of a body corporate, the name of the entity, exactly as registered, and the registration number are to be inserted in Panel B. Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
6. Applicants, who hold securities on the Malta Stock Exchange, are to indicate their MSE account number. If details shown on this Application Form differ from the existing account details at the MSE, a new MSE account may be opened for this Application.
7. Applications must be for a minimum of €2,500 and thereafter in multiples of €100.
8. Payment in Euro may be made by cheque drawn on a Maltese Bank or by a banker's draft drawn on a first class foreign bank payable to 'The Registrar – Global Financial Services Group p.l.c. Bond Issue'. In the event that cheques accompanying Application Forms are not honoured on their first presentation, the Company and the Registrar reserve the right to invalidate the relative Application.
9. The Applicant may elect to have Final Withholding Tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross, i.e. without deduction of Final Withholding Tax but he/she will be obliged to declare interest so received on his / her return. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. Authorised entities applying in the name of a Prescribed Fund (having indicated their status in the appropriate box in Panel A) will have Final Withholding Tax, currently 10%, deducted from interest payments. Applicants may choose to receive their interest directly in a bank account held locally in Euro and such choice is to be indicated in Panel G.
10. Subscription lists will open at 8.30am on 18 May 2006 and will close at 12.00pm on 26 May 2006. The Issuer reserves the right, however, to close the Bond Issue before the 26 May 2006 in the event of over-subscription. Any Applications received by the Registrar after the subscription lists close will be rejected.
11. Completed Application Forms are to be sent by post or delivered to the offices of the Company, The Registrar or any Authorised Distributor listed in the Prospectus, during normal office hours. Remittances by post are made at the risk of the Applicant and the Company disclaims all responsibility for any such remittances not received by the closing of the subscription lists.
12. The Company reserves the right to refuse any Application which appears to be in breach of the terms and conditions of the Bond as contained in the Prospectus.
13. The terms used in this Application Form have the same meaning as that assigned to them in the Prospectus.
14. By completing and delivering an Application Form you (as the Applicant(s)):
 - a. acknowledge that the Issuer may process the personal data that you provide in the Application Form in accordance with the Data Protection Act, 2001;
 - b. acknowledge that the Issuer may process such personal data for all purposes necessary for and related to the issue of the Bonds applied for; and
 - c. acknowledge that you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer. Any such requests must be made in writing and sent to the Issuer at the address indicated at the head of the Application Form. The requests must further be signed by yourself, as the Applicant to whom the personal data relates.

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds on offer will be repayable in full upon redemption. An investor should consult an independent investment advisor, licensed under the Investment Services Act (Cap.370 of the Laws of Malta), for advice.

APPENDIX 4 - LIST OF AUTHORISED DISTRIBUTORS

APPENDIX 4 - AUTHORISED DISTRIBUTORS

Members of the Malta Stock Exchange

Atlas Investment Services Ltd	Tel: 21 322590	Fax: 21 322584
Azzopardi Investment Management Ltd	Tel: 21 313100	Fax: 21 318897
Calamatta Cuschieri & Co. Ltd	Tel: 25 688688	Fax: 25 688256
Charts Investment Management Service Ltd	Tel: 21 224106	Fax: 21 241101
Curmi & Partners Ltd	Tel: 21 347331	Fax: 21 347333
Financial Planning Services Ltd	Tel: 21 344255	Fax: 21 341202
FINCO Treasury Management Ltd	Tel: 21 220002	Fax: 21 243280
GlobalCapital Financial Management Ltd	Tel: 21 310088	Fax: 23 282207
HSBC Stockbrokers (Malta) Ltd	Tel: 25 972241	Fax: 25 972494
Rizzo, Farrugia & Co (Stockbrokers) Ltd	Tel: 21 333125	Fax: 21 324486

Investment Services Providers

APS Bank Ltd	Tel: 25 593400	Fax: 25 593167
Crystal Finance Investments Ltd	Tel: 21 226190	Fax: 21 226188
D.B.R. Investments Ltd	Tel: 21 647763	Fax: 21 647765
Elmo Investments Ltd	Tel: 21 347147	Fax: 21 347149
Epic Financial Services Limited	Tel: 21 572010	Fax: 21 571998
Growth Investments Ltd	Tel: 21 226411	Fax: 21 249811
HSBC Bank Malta p.l.c.	Tel: 25 972209	Fax: 25 972475
Island Financial Services Ltd	Tel: 23 855555	Fax: 23 855238
Jesmond Mizzi Financial Services Ltd	Tel: 21 224410	Fax: 21 223810
Joseph Scicluna Investments Services Ltd	Tel: 21 565707	Fax: 21 565706
Michael Grech Financial Investment Services Ltd	Tel: 21 554492	Fax: 21 559199
MZ Investment Services Ltd	Tel: 21 453739	Fax: 21 453407
Quest Investment Services Limited	Tel: 21 343500	Fax: 21 313733

POWER OF ATTORNEY

BY THESE PRESENTS,

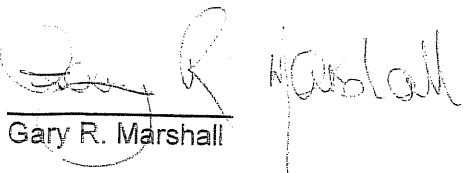
Gary R. Marshall of One Bow Churchyard, London, United Kingdom, holder of British Passport number 037185739 (hereinafter called "the Grantor") does hereby make, constitute and appoint Christopher J. Pace of 329, Triq in-Nixxiegha, Santa Maria Estate, Mellieha, Malta, holder of Identity Card number 543765(M) and/or James A. Blake of 11, Triq il-Markiz J. Scicluna Madliena, Malta, holder of Identity Card number 68864(M) and/or Andrew Borg Cardona LL.D. of 171, Main Street, Lija, Malta, holder of Identity Card number 818655(M) (hereinafter together "the Attorneys", each an "Attorney") jointly and each of them severally to be his true and lawful attorney-in-fact for him, in his name and on his behalf and to be authorised as they are hereby authorised on behalf of the Grantor to do all or any of the following acts, matters and things, namely:

1. To date, sign and endorse the prospectus (the "Prospectus") to be issued by Global Financial Services Group plc, a company incorporated in Malta with limited liability under registration number C 19526 (the "Company") in connection with a proposed public issue of bonds (the "Bonds") and to provide such confirmations in connection therewith as may be required under any applicable law, regulation, listing rule and/or bye-law of the Listing Authority and of the Malta Stock Exchange.
2. To sign any application form on behalf of the Grantor in respect of the admissibility of the Bonds to listing by the Listing Authority and the admission of the Bonds to listing and trading on the Official List of the Malta Stock Exchange.
3. To do any other act or thing which the said Attorney/s may at his/their absolute discretion consider to be expedient or necessary in connection with the matters stated herein.

The Grantor hereby gives and grants to the Attorneys and each of them full power and authority in the premises hereby ratifying, allowing and confirming and agreeing to ratify, allow and confirm whatsoever shall lawfully be done in the premises by virtue hereof.

This Power of Attorney shall be irrevocable for a period of four (4) months from the date hereof and shall at all times (both during and after the said period) be conclusive and binding upon the Grantor.

IN WITNESS WHEREOF the foregoing Power of Attorney has been duly executed this 24th day of the month of March of the year two thousand and six (24/03/2006).



Gary R. Marshall

POWER OF ATTORNEY

BY THESE PRESENTS,

Nicholas Ashford-Hodges of 29, Saint Luke's Road, Old Windsor, Berkshire, United Kingdom, holder of British Passport number 093055369 (hereinafter called "the Grantor") does hereby make, constitute and appoint Christopher J. Pace of 329, Triq in-Nixxiegha, Santa Maria Estate, Mellieha, Malta, holder of Identity Card number 543765(M) and/or James A. Blake of 11, Triq il-Markiz J. Scicluna Madliena, Malta, holder of Identity Card number 68864(M) and/or Andrew Borg Cardona LL.D. of 171, Main Street, Lija, Malta, holder of Identity Card number 818655(M) (hereinafter together "the Attorneys", each an "Attorney") jointly and each of them severally to be his true and lawful attorney-in-fact for him, in his name and on his behalf and to be authorised as they are hereby authorised on behalf of the Grantor to do all or any of the following acts, matters and things, namely:

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2. To sign any application form on behalf of the Grantor in respect of the admissibility of the Bonds to listing by the Listing Authority and the admission of the Bonds to listing and trading on the Official List of the Malta Stock Exchange.
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The Grantor hereby gives and grants to the Attorneys and each of them full power and authority in the premises hereby ratifying, allowing and confirming and agreeing to ratify, allow and confirm whatsoever shall lawfully be done in the premises by virtue hereof.

This Power of Attorney shall be irrevocable for a period of four (4) months from the date hereof and shall at all times (both during and after the said period) be conclusive and binding upon the Grantor.

IN WITNESS WHEREOF the foregoing Power of Attorney has been duly executed this 24th day of the month of March of the year two thousand and six (24/03/2006).



Nicholas Ashford-Hodges

POWER OF ATTORNEY

BY THESE PRESENTS,

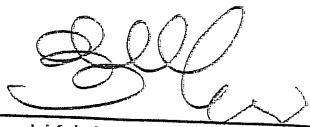
Muni Krishna T. Reddy GOSK of, 22, Angus Lane Vacaos, Mauritius, holder of Indian Passport number Z-1191586 (hereinafter called "the Grantor") does hereby make, constitute and appoint Christopher J. Pace of 329, Triq in-Nixxiegha, Santa Maria Estate, Mellieha, Malta, holder of Identity Card number 543765(M) and/or James A. Blake of 11, Triq il-Markiz J. Scicluna Madliena, Malta, holder of Identity Card number 68864(M) and/or Andrew Borg Cardona LL.D. of 171, Main Street, Lija, Malta, holder of Identity Card number 818655(M) (hereinafter together "the Attorneys", each an "Attorney") jointly and each of them severally to be his true and lawful attorney-in-fact for him, in his name and on his behalf and to be authorised as they are hereby authorised on behalf of the Grantor to do all or any of the following acts, matters and things, namely:

1. To date, sign and endorse the prospectus (the "Prospectus") to be issued by Global Financial Services Group plc, a company incorporated in Malta with limited liability under registration number C 19526 (the "Company") in connection with a proposed public issue of bonds (the "Bonds") and to provide such confirmations in connection therewith as may be required under any applicable law, regulation, listing rule and/or bye-law of the Listing Authority and of the Malta Stock Exchange.
2. To sign any application form on behalf of the Grantor in respect of the admissibility of the Bonds to listing by the Listing Authority and the admission of the Bonds to listing and trading on the Official List of the Malta Stock Exchange.
3. To do any other act or thing which the said Attorney/s may at his/their absolute discretion consider to be expedient or necessary in connection with the matters stated herein.

The Grantor hereby gives and grants to the Attorneys and each of them full power and authority in the premises hereby ratifying, allowing and confirming and agreeing to ratify, allow and confirm whatsoever shall lawfully be done in the premises by virtue hereof.

This Power of Attorney shall be irrevocable for a period of four (4) months from the date hereof and shall at all times (both during and after the said period) be conclusive and binding upon the Grantor.

IN WITNESS WHEREOF the foregoing Power of Attorney has been duly executed this 24th day of the month of March of the year two thousand and six (24/03/2006).



Muni Krishna T. Reddy GOSK

POWER OF ATTORNEY

BY THESE PRESENTS,


Dawood A. Rawat of 71, Harley House, Marleybone Road, London, United Kingdom, holder of French Passport number 99AE60706 (hereinafter called "the Grantor") does hereby make, constitute and appoint Christopher J. Pace of 329, Triq in-Nixxiegha, Santa Maria Estate, Mellieha, Malta, holder of Identity Card number 543765(M) and/or James A. Blake of 11, Triq il-Markiz J. Scicluna Madliena, Malta, holder of Identity Card number 68864(M) and/or Andrew Borg Cardona LL.D. of 171, Main Street, Lija, Malta, holder of Identity Card number 818655(M) (hereinafter together "the Attorneys", each an "Attorney") jointly and each of them severally to be his true and lawful attorney-in-fact for him, in his name and on his behalf and to be authorised as they are hereby authorised on behalf of the Grantor to do all or any of the following acts, matters and things, namely:

1. To date, sign and endorse the prospectus (the "Prospectus") to be issued by Global Financial Services Group plc, a company incorporated in Malta with limited liability under registration number C 19526 (the "Company") in connection with a proposed public issue of bonds (the "Bonds") and to provide such confirmations in connection therewith as may be required under any applicable law, regulation, listing rule and/or bye-law of the Listing Authority and of the Malta Stock Exchange.
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IN WITNESS WHEREOF the foregoing Power of Attorney has been duly executed this 24th day of the month of March of the year two thousand and six (24/03/2006).



Dawood A. Rawat