GlobalCapital plc

FINANCIAL ANALYSIS SUMMARY
GlobalCapital plc

June 2018

Calamatta Cuschieri
INVESTMENT ADVISORS & STOCKBROKERS

The Directors
GlobalCapital plc
Testaferrata Street
Ta' Xbiex, XBX 1403
Malta

26th June 2018

Dear Sirs,

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary (the "**Analysis**") set out on the following pages and which is being forwarded to you together with this letter. The purpose of the Analysis is that of summarising key financial data appertaining to GlobalCapital plc (the "**Group**" or the "**Company**"). The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the three years ended 2015, 2016 and 2017 have been extracted from the Group's audited statutory financial statements for the three years in question.

(b) The forecast data for the current financial year (2018) have been provided by management.

(c) Our commentary on the Group's results and its' financial position is based on the explanations provided by the Group.

(d) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Section 6 of the Analysis.

(e) The principal relevant market players listed in Section 5 of the document have been identified by management. Relevant financial data in respect of competitors has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registrar of Companies.

The Analysis is meant to assist potential investors by summarising the more important financial data set out in the annually published financial statements of the Group. The Analysis does not contain all data that is relevant to potential investors and is meant to complement, and not replace, the contents of the financial statements. The Analysis does not constitute an endorsement by our firm of the purchases of the securities related to the Group and should not be interpreted as a recommendation to invest in the securities issued by the Group. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. Potential investors are encouraged to seek professional advice before investing in the Group's securities.

Yours sincerely,

Nick Calamatta
Director

Contents

1. Information about the Group

1.1 Group's key activities

The Group operates a number of subsidiaries exclusively in and from Malta. The subsidiaries operate primarily in the following business sectors:

i. Business of insurance;
ii. Investment and advisory services;
iii. Insurance intermediation activities; and
iv. Property holding and management

1.2 Directors and Executive Management

The Board

The Board of Directors of the Group is composed of the following persons:

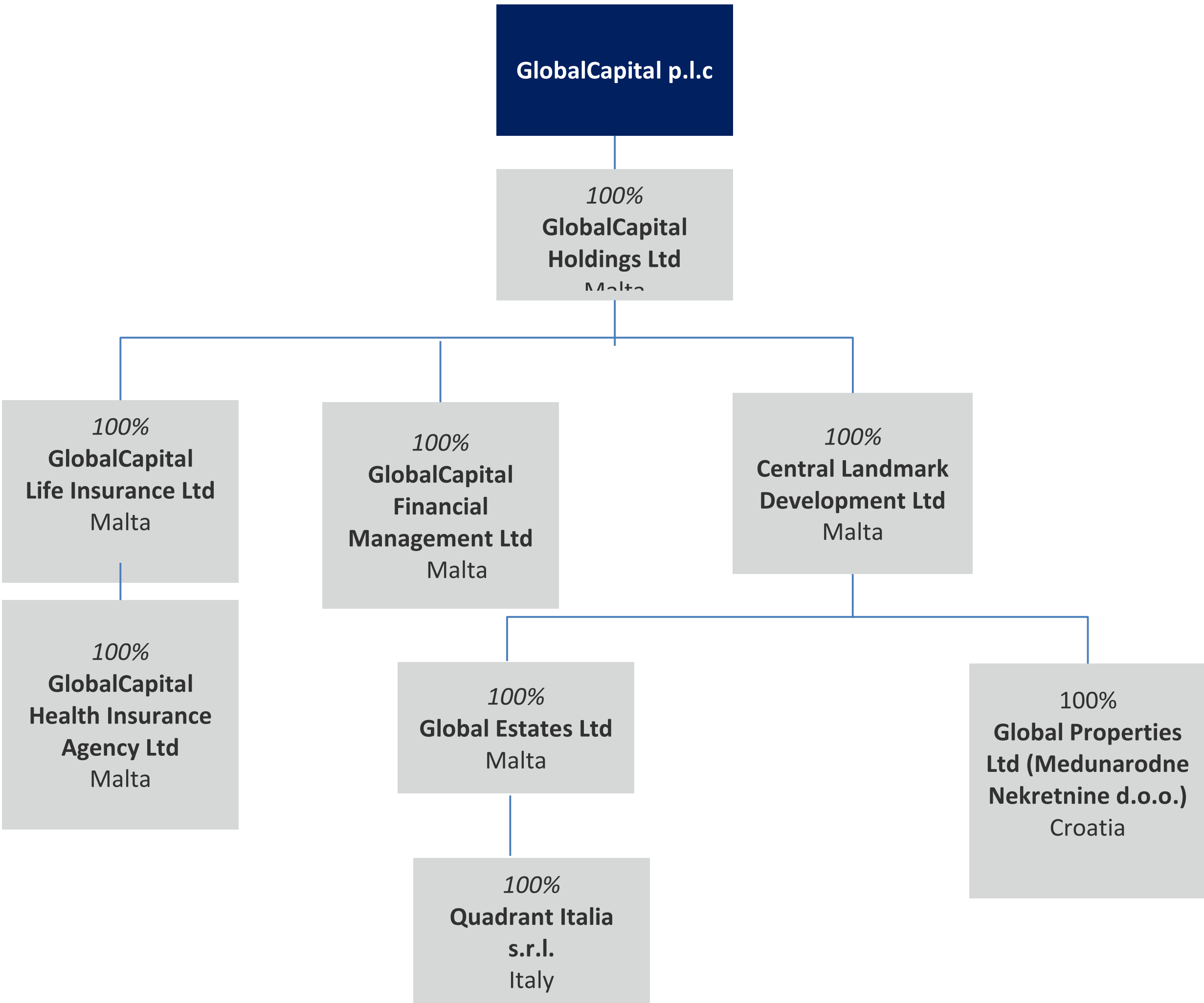
Name	Role
Prof. Paolo Catalfamo	Executive Director and Chairman
Prof. Andrea Gemma	Non-Executive Director
Dr. Joseph Del Raso	Non-Executive Director
Mr. Peter Astleford	Non-Executive Director
Mr. Joseph Schembri	Non-Executive Director
Mr. Jacopo Di Stefano	Non-Executive Director
Mr. Luca Galli	Non-Executive Director
Mr. Gregory Eugene McGowan	Non-Executive Director

Group Executive Management

The Executive Committee is vested with responsibility for the Group's day-to-day business and the implementation of the strategy set out by the Board of Directors. The senior members of management at Group level are the following:

Name	Role
Ms Teuta Oruci-Bakalli	Chief Financial Officer
Dr. Pablo A. Perez-Fernandez	Chief Operations Officer
Mr. George Emanuel Onete	Chief Technical Officer
Mr. Michael Schembri	Head of Legal and Compliance

1.3 Group structure and major assets owned by the Group.



GlobalCapital Life Insurance Ltd ("GCLI")

GCLI is a company that is principally engaged in the ordinary life insurance business, industrial life assurance business and linked long-term contracts of insurance.

It provides both regular premium and single premium saving products and a range of life assurance products, including term, interest-sensitive endowment and group life policies. These products are also referred to as non-linked contracts. Earned premiums stem from interest sensitive and conventional insurance contracts.

All premiums earned relate to commitments where Malta is the country of commitment.

GlobalCapital Health Insurance Agency Ltd ("GCHIA")

The principle activity of GCHIA is to carry on business as an agent in all classes of health insurance, in terms of the Insurance Intermediaries Act (Cap. 487). The company represents the international health care group Bupa Global in Malta.

GlobalCapital Financial Management Ltd
The company's principal activities are to provide investment, fund advisory and fund administration services in terms of the Investment Services Act (Cap. 370) as well as to execute money broking and foreign exchange trading in terms of the Financial Institutions Act (Cap. 376).

GlobalCapital Holdings plc
The Company's principal activity is to act as a holding company.

Central Landmark Developments Ltd
The Company's principal activity is to hold property-related investments.

Global Estates Ltd
The Company's scope is to serve as a holding company.

Quadrant Croatia (Globe Properties Ltd)
The Company's principal activity is to hold property-related investments in Croatia.

Quadrant Italia s.r.l.
The Company's principal activity is to hold property-related investments in Italy. The main property of which relates to a castle held in the province of Rieti.

2. Recent important events in the development of the company

The Group is currently in the process of submitting an application to the Listing Authority requesting the admissibility to listing of new ordinary shares pursuant to a rights issue (the "Rights Issue"). If subscribed in full the proposed Rights Issue will raise a total amount of approximately €6 million. The Group is seeking to raise additional equity through the proposed Rights Issue to provide additional working capital to support the Group's business strategy to strengthen its position in the local insurance market as well as to passport its insurance products in other EU jurisdictions. The Board considers the additional equity to be raised through the proposed Rights Issue to be appropriate to strengthen the capital levels of the Group in the context of the evolving business and regulatory environment.

Compliance with new European Directives

There has been an increased focus in the EU on the fair treatment of customers, in particular on the way in which the insurance industry or fund management industry sells and administers insurance policies or other products. In particular, as from 1 October 2018, GCLI and GCHIA are required to comply with the provisions of Directive (EU) 2016/97 of the European Parliament and Council of 20 January 2016, on insurance distribution (recast) ("IDD"), which introduces enhanced information and conduct of business requirements. 2018 has also seen the introduction of the Markets in Financial Instruments Directive ("MiFID II") and the new General Data Protection Regulation ("GDPR"). The Board remains fully committed to not only complying with legislation but ensuring that the Group maintains best practice in all respects.

3. Review of Business Activities

3.1 Consolidated results

GlobalCapital plc's consolidated results registered pre-tax earnings for the year amounting to €4.6M compared to €2.8M in 2016.
The Group recognised an increase in the fair value gains on investment property through the income statement. In 2017 the fair value gain amounted to €2.1M compared to €1.6M in 2016. Realised gains offset fair value losses on the financial investments portfolio. The net gain recognised in the income statement in 2017 amounted to €1.05M compared to a loss of €53K recorded in 2016. Group assets increased by 12.3% from €113.1M at 31 December 2016 to €127.1M as at 31 December 2017 whereas shareholder funds also increased by 20.7%. The Group's net asset value at end of the year stood at €18.2M (2016: €15.1M).

3.2 Strategic Direction

During the financial year 2017, the Board of Directors continued in consolidating the Company's position in the local market. The positive results reported over the past reporting periods led to a significant improvement in the Group's debt to equity ratio which reduced from 64% as at end December 2016 to 54% as at end of the current reporting period.

The strategic objectives of the Group are to:

- strengthen its operational efficiencies;
- enhance the financial strength and resilience of its business model;
- focus on profitable and flexible products and solutions;
- improve its position in the local insurance market;
- passport insurance products in other EU jurisdictions;
- invest in the Group's brand whilst building on its reputation;
- attract and retain qualified human resources;
- create a dynamic organisation encouraging personal and career development;
- align the goals of Management and employees with those of the Company's shareholders;
- maintain the highest standards of corporate governance; and
- provide customers with security and peace of mind in both their insurance and investment needs.

While retaining its primary focus on its existing insurance business, the Group's growth strategy for the future includes a re-focus on asset management and unit- linked life insurance business. The Group will continue its efforts to divest itself of its portfolio of investment properties.

3.3 Update on subsidiaries

GlobalCapital Life Insurance Limited ("GCLI")
GCLI registered a profit before taxation for the year ended 31 December 2017 of €4.4M compared to €3.5M in the prior year. GCLI's total comprehensive income for the year closed at €4.5M in 2017 compared to €6.9M at end 2016.

The net assets of GCLI increased by 16.4% from €24.6M as at the end of 2016 to €28.7M as at the end of the current reporting period.

The life insurance company continued registering significant growth in all lines of business, mainly protection and unit linked. Gross written premium for the year amounted to €12.6M compared to €10.7M at the end of the comparative period, an increase of 17% year on year. Claims incurred net of reinsurance decreased to €7.9M compared to €9.3M at the end of the comparative period, a decrease of 15.2% year on year. GCLI has also intensified its efforts to recapture an amount of maturing business, which it completed successfully.

An important part of the business involves managing the treasury function, investing policyholder and shareholder funds across a wide range of financial investments, including equities, fixed income securities and to a lesser extent properties. GCLI results are sensitive to the volatility in the market value of these investments, either directly because the company bears the investment risk, or indirectly because the company earn management fees for investments managed on behalf of policyholders. Throughout 2017, investment conditions remained quite challenging with the persisting low interest rate environment.

GCLI continued to undertake restructuring and transformation activity to align the business operations with the Board-approved strategy. Relentless efforts to differentiate the company from the market started during the course of the year and will continue, with a stronger emphasis in 2018. The enhancements made to the company's product suite helped facilitate improved competitiveness and marketability, thus generating positive results.

Total assets increased by 13.4% from €109.9M at 31 December 2016 to €124.7M as at the end of the current reporting period. Technical provisions increased by 11.4% from €78.9M to €88M. GCLI's Solvency II ratio was a healthy one during the year.

GCLI's value of in-force business for 2017 registered an increase of €1.3M, in aggregate amounting to €8.1M at end of the current year (2016: €6.9M) - this represents the discounted projected future shareholder profits expected from the insurance policies in force as at year end, adjusted for taxation.

The Board of Directors approved a 2017 bonus declaration of 3.1% (2016: 2.5%) for the Guaranteed Savings Bond, 3.5% (2016: 2.5%) for Money Plus and 3.1% (2016: 3%) for all other interest sensitive products. GCLI also announced a bonus rate of 0.75% (2016: 0.75%) for paid up policies and committed to a terminal bonus for policies maturing during the course of 2017.

GlobalCapital Health Insurance Agency Limited ("GCHIA")
GlobalCapital Health Insurance Agency Limited registered a profit before tax of €0.7M compared to a prior period profit of €1.1M. The decrease was driven by a decrease in revenue from €1.99M as at 31 December 2016 to €1.7M as at end of current reporting period together with a marginal increase in operating costs. Net assets decreased from €1.04M as at end 2016 to €912K at end 2017, following a net dividend distribution of €0.65M (2016: €3M) to its immediate parent.

GlobalCapital Financial Management Limited ("GCFM")
GCFM registered a loss before tax of €88K compared to €615K in the prior period. The significant drop in loss before tax was mainly attributable to a release in provisions of €13K whereas in 2016 there was a one-off increase in provisions of €520K. Revenue increased by 15% from €667K during 2016 to €764K during the current reporting period, primarily driven by an increase in trailer fees. Moreover, GCFM's costs increased marginally, which was expected, following the decision to retain this line of business.

GCFM's net assets as at end of the current reporting period amounted to €683K (2016: €772K).

Other subsidiaries
The remaining subsidiaries within the Group, other than GlobalCapital Holdings Limited which is an investment holding company, are property holding companies carrying no operating activities. Brammer Limited is in the process of being liquidated following the sale of the properties it owned in Bulgaria. The Company expects this process to be complete during the course of 2018.

3.4 Market Overview

3.4.1 General Market Overview[1]

In April, the Bank's Business Conditions Index (BCI) remained broadly unchanged on a month earlier, while continuing to suggest above-average conditions. Economic sentiment fell, reflecting weaker sentiment across all sectors. In March, retail sales and tourism activity grew at a strong pace in annual terms, while industrial production contracted at a slower rate. Labour market conditions remained favourable, with the number of registered unemployed declining on an annual basis and Eurostat's measure of the unemployment rate falling to a historically new low.

The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) remained unchanged at 1.3% in March. While the annual rate of change of Maltese residents' deposits decelerated to 5.7%, annual growth in credit to residents accelerated to 2.0%. As regards fiscal developments, the cash-based Consolidated Fund recorded a larger deficit compared with March 2017.

3.4.2 Insurance Market[2]

Following considerable losses due to hailstorms and weather conditions in 2016, 2017 was a better year for domestic insurers in terms of loss events. Yet, the industry still faced a number of challenges coming from outside the market that will continue to be felt this year. Being part of the financial services industry, the onslaught on Malta's reputation may have an impact on foreign investors in the sector. Malta has been an attractive domicile for Captives and Protected Cell Companies, but this could easily change. Brexit is another black box that may reveal more of its contents during 2018.

[1] Central Bank Economic Update 5/2018
[2] https://www2.deloitte.com/mt/en/pages/financial-services/articles/mt-insurance-article-market-trends-for-2018.html

The challenging human resource situation will continue in 2018. Scarcity of skills is coupled with increasing upward pressure on wages coming from other sectors such as gaming. This has undoubtedly had an impact on the operational costs and competitiveness of local insurers. This hits at a time when operators are expected to strengthen their teams, especially around compliance.

Regulatory Developments

Two years on from the landmark regulatory changes brought about by Solvency II, 2018 will see the insurance industry going through another year of change. The Insurance Distribution Directive (IDD) will change the face of insurance distribution in Malta and the EU, whilst the General Data Protection Regulation (GDPR) will inevitably have an impact on a data-heavy industry such as insurance.

Although Solvency II has entered the day-to-day business phase, EIOPA will only conclude its Solvency II review for the European Commission this year. This will include topics with potentially significant effects on capital, of which the risk margin and associated cost of capital rate are among the most important. Another European development, which might have a significant impact on the local market, is the push for greater supervisory convergence. In a recent interview, Justin Wray, Deputy Head of the Policy Department at EIOPA hinted that the Authority might be taking the path of the European Banking Authority. This would be a significant step towards achieving a converged EU market, which would represent another shift in the insurance landscape.

In the meantime, insurance companies will have the IDD to contend with. Recently postponed to 1 October 2018, the Directive aims to harmonise insurance distribution laws across Europe. It will also bring with it a number of changes, especially in the interaction between insurers and consumers.

The information provided to consumers will be subject to close scrutiny, with a view to preventing mis-selling. Product innovation will provide opportunities for both insurers and consumers for products to be tailored, relevant and well-priced. Brokers, agents and tied intermediaries will also be impacted, especially with respect to remuneration practices and disclosures to clients.

Product governance will have to be strengthened to ensure that proper oversight is being exercised by insurance companies. Particularly from a life insurance point of view, the focus will be on ensuring that appropriate advice is being provided to consumers, and on eliminating conflicts of interest in the course of providing that advice. This will open up opportunities for new sales channels, especially for investment-based insurance products, but also for general insurers.

A regulatory development which is likely to have a wide impact is the GDPR which came into force on 25 May 2018. Many regard this Regulation as likely to have a large and detrimental impact on the Insurance industry, which may be constrained in the areas of data collection activities and subject to an additional compliance burden. The main obligations with a perceived high impact to insurers include:

- New consent model whereby explicit consent is mandated for certain data categories.
- The ability for consumers to be informed of and object to automated decision making and profiling which may result in changes to existing underwriting processes.
- Purpose limitation and data minimisation of personal data are GDPR principles which may be involve significant changes at the operational level.

- Fair processing notices requiring insurers to be fully transparent about how personal data which is collected is used.

Noncompliance is not an option with potential fines going up to €20 million or 4% of global turnover, whichever is highest.

(Source: Deloitte Malta)

4. Performance Review and Forecasts

The historical figures have been extracted from the latest audited financial statements for financial years 2015-2017. Forecasted figures were provided by management for guidance going forward.

4.1 Income Statement Review

	2015	**2016**	**2017**	**2018F**
	Actual	**Actual**	**Actual**	**Projected**
	€000	**€000**	**€000**	**€000**
Commission and fees receivable	2,568	2,704	2,472	2,449
Commission payable and direct marketing costs	(147)	(155)	(101)	(293)
Balance on the long term business of insurance technical account before tax	942	(2,359)	(841)	2,319
Increment in the value of in-force business	1,355	2,822	1,941	4,274
Staff costs	(949)	(995)	(1,320)	(1,451)
Other expenses	(1,773)	(1,219)	(1,157)	(1,466)
Investment income, net of allocation to the insurance technical account	4,265	2,133	3,063	n/a
Investment expenses, net of allocation to the insurance technical account	(983)	(242)	(356)	n/a
Finance costs, net of allocation to the insurance technical account	(806)	(651)	(557)	(580)
Profit/(loss) for the year before impairment charges and fair value movements on investment properties	4,471	2,039	3,144	5,252
Net gains on investment property, net of allocation to the insurance technical account	1,252	1,260	1,487	n/a
Other provisions	(117)	(520)	13	n/a
Impairment of balances due from group companies	-	-	-	n/a
Profit/(loss) before tax	**5,607**	**2,780**	**4,644**	**5,252**
Tax (expense)/credit	(1,482)	(927)	(1,475)	(1,496)
Profit/(loss) for the financial year attributable to the shareholders of the company	**4,125**	**1,853**	**3,169**	**3,756**
Other comprehensive income/(loss)	-	-	-	n/a
Items that will not be reclassified to profit or loss	-	-	-	n/a
Revaluation of property, net of deferred tax	-	1,062	-	-
Items that may be reclassified subsequently to profit or loss	-	-	-	n/a
Net (loss)/gain on available-for-sale financial assets financial assets, net of deferred tax	73	(45)	(41)	n/a
Total comprehensive gain/(loss) for the year, net of tax, attributable to the shareholders of the company	**4,198**	**2,870**	**3,129**	**3,756**

GlobalCapital plc's consolidated results registered pre-tax earnings for the year amounting to €4.6M compared to €2.8M in 2016. The Group recognised an increase in the fair value gains on investment property through the income statement. In 2017 the fair value gain amounted to €2.1M compared to €1.6M in 2016. Realised gains offset fair value losses on the financial investments portfolio. The net gain recognised in the income statement in 2017 amounted to €1.05M compared to a loss of €53K recorded in 2016.

4.1.1 Changes in Technical Account

Technical Account

The technical account represents the operations of GCLI, which is licensed to carry out the long-term business of insurance. GCLI is licenced under the Insurance Business Act.

	2015	**2016**	2017	**2018**
	Actual	**Actual**	Actual	**Projected**
	€000	**€000**	**€000**	**€000**
Technical account				
Earned premiums, net of reinsurance	8,477	9,662	11,242	10,129
Investment income including FV gains on investments	6,009	1,039	1,861	2,768
Investment contract fee income	741	871	775	2,105
Total technical income	**15,227**	**11,572**	**13,878**	**15,002**
	-	-	-	-
Claims incurred, net of reinsurance	9,171	9,309	7,898	5,974
Change in provisions for claims	155	280	269	-
Change in other technical provisions, net of reinsurance	2,966	2,024	3,883	5,177
Net operating expenses	1,961	2,569	2,918	1,533
Total technical charges	**14,286**	**13,932**	**14,718**	**12,684**
	-	-	-	-
Balance on the long term business of insurance technical account before tax	**942**	**(2,359)**	**(841)**	**2,318**

FY2017 technical account performance registered a significant improvement year-on-year, attributed mostly to an increase in earned premiums and a decrease in claims incurred. Additionally, investment income improved by €800K after registering a sharp decline in FY2016. Total technical account charges were affected by changes in other technical provisions, which increased by €1.8M from FY2016. Overall, the significant improvement in technical income was partly offset by an increase in technical charges, improving the long term balance by €1.5M.

4.1.2 Variance Analysis

Income Statement	2017	2017F	Variance
	Actual	Projected	
	€000	€000	€000
Commission and fees receivable	2,472	2,640	(167)
Commission payable and direct marketing costs	(101)	(266)	164
Balance on the long term business of insurance technical account before tax	(841)	(212)	(628)
Increment in the value of in-force business	1,941	4,797	(2,856)
Staff costs	(1,320)	(1,598)	278
Other expenses	(1,157)	(1,136)	(21)
Investment income, net of allocation to the insurance technical account	3,063	n/a	n/a
Investment expenses, net of allocation to the insurance technical account	(356)	n/a	n/a
Finance costs, net of allocation to the insurance technical account	(557)	(529)	(28)
Profit/(loss) for the year before impairment charges and fair value movements on investment properties	3,144	3,697	(552)
Net gains on investment property, net of allocation to the insurance technical account	1,487	748	739
Other provisions	13	-	n/a
Impairment of balances due from group companies	-	-	-
Profit/(loss) before tax	**4,644**	**4,445**	**199**
Tax (expense)/credit	(1,475)	(1,994)	519
Profit/(loss) for the financial year attributable to the shareholders of the company	**3,169**	**2,451**	**718**

As presented in the above table, the Increment in the value of in-force business, which represents the present value of expected future earnings on in-force business less the present value cost of holding capital required to support the in-force business, was €2.9m lower than expected due to delay in passporting licence and on-boarding of the projected new business.

This was offset by larger than expected gains on investment property as well as a lower amount of taxation incurred, resulting in a net performance of €718K better than previously projected.

4.1.3 Segmental Analysis

The following is an analysis of the Group's revenue and result by reportable segment, assets, liabilities and other information for 2017.

Year ended 31 December 2017 (€)	**Investment and advisory services**	**Business of insurance**	**Agency services**	**Property services**	**Other**	**Eliminations**	**Group**
Segment income							
Earned premiums, net of reinsurance	-	11,242,012	-	-	-	-	11,242,012
Commission and other fees receivable	763,992	-	1,708,504	-	-	-	2,472,496
Investment income	88,792	6,567,573	43,572	26	742,777	(3,203,347)	4,239,393
Net gains on investments at fair value through profit and loss	-	1,339,923	-	-	-	-	1,339,923
Net gains on investment property	-	2,060,316	-	-	-	1,447,138	3,547,454
Total revenue	**852,784**	**21,209,824**	**1,752,076**	**40,026**	**742,777**	**(1,756,209)**	**22,841,278**
Revenue from external customers	652,458	12,560,345	1,708,504	-	-	-	14,921,307
Intersegment revenues	111,534	1,001,624	-	26	742,777	-	1,855,961
Segment expenses							-
Net claims incurred	-	(7,743,229)	-	-	-	-	(7,743,229)
Net change in technical provisions	-	(3,882,784)	-	-	-	-	(3,882,784)
Net operating expenses	(923,551)	(2,982,529)	(1,018,578)	(188,070)	(483,314)	(41,240)	(5,637,282)
Investment expenses	**(9,134)**	**(67,937)**	**-**	**-**	**-**	**(299,438)**	**(376,509)**
Total expenses	(932,685)	(14,676,479)	(1,018,578)	(188,070)	(483,314)	(340,678)	(17,639,804)
Segment profit / loss	**(79,901)**	6,533,345	733498	(148,044)	259,463	(2,096,887)	5,201,474
Unallocated items -Finance Costs	-	-	-	-	-	-	(557,279)
Group Profit before tax	-	-	-	-	-	-	4,644,195
Tax expense	-	-	-	-	-	-	(1,474,812)
Profit after tax	-	-	-	-	-	-	**3,169,383**
Segment Assets	**1,319,652**	**124,666,900**	**1,168,459**	**6,593,386**	**17,013,612**	**(31,234,793)**	**119,527,216**
Unallocated assets							7,593,738
Total Segment Assets							127,120,954
Segment Liabilities	**635,634**	**93,886,753**	**44439**	**7,015,334**	**3,088,670**	**(17,213,881)**	**87,456,949**
Unallocated liabilities							21,415,643
Total Segment Liabilities							**108,872,592**
Other segment items: -Capital expenditure	-	227,906	26064	-	-		
-Amortisation	319	145,524	-	-	588		
-Depreciation	-	77,310	6350	-	2,366		

4.1.4 Breakdown of Investment Income

Year ended 31st December	2015	2016	2017
	€000	**€000**	**€000**
Investment income			
Rental income from investment property	891	818	560
Dividends from investments:	-	-	-
Dividends received from investments at FV through P/L	645	357	301
Dividends received from available-for-sale investments	42	35	22
Interest receivable from:	-	-	-
investments at FV through P/L	1,202	1,202	1,738
held-to-maturity investments	356	322	195
other loans and receivables	23	6	6
Net exchange gains	72	-	-
Net gains on investment property and non-current assets held for sale	3,194	1,630	2,100
Gain on sale of property held for development	16	-	-
Net gains on financial investments	5,005	-	1,049
Gain on buy-back of interest-bearing borrowings	-	-	-
Other income	49	33	140
	11,495	**4,403**	**6,111**
	-	-	-
Investment charges and finance costs	-	-	-
Net losses on financial investments at FV through P/L	941	53	-
Investment management charges	-	-	-
Net exchange losses	-	142	-
Interest payable on:	-	-	-
Interest on bond	757	592	493
Amortisation charge on held-to-maturity investments	17	16	-
Amortisation of bond issue costs	49	59	64
	1,789	893	635
	-	-	-
Total investment return/(loss)	**9,705**	**3,510**	**5,477**
	-	-	-
Allocated as follows:	-	-	-
Long term business technical account	5,978	1,009	1,840
Statement of comprehensive income	3,728	2,501	3,636
	9,705	**3,510**	**5,477**

4.2 Balance Sheet Review

Group consolidated statement of financial position

Financial Year Ending	2015	2016	2017	2018
	Actual	**Actual**	**Actual**	**Projected**
	€000	**€000**	**€000**	**€000**
ASSETS				
Intangible assets	7,163	8,854	10,198	13,901
Property, plant and equipment	2,450	2,050	2,127	2,966
Investment property	15,237	18,664	20,856	18,002
Deferred tax asset	-	-	-	-
Other investments	55,581	58,363	71,338	96,150
Reinsurers' share of technical provisions	3,612	7,654	9,693	12,974
Taxation receivable	581	87	67	650
Trade and other receivables	2,555	3,161	2,592	2,514
Cash and cash equivalents	5,441	14,310	10,250	3,921
Non-current assets held-for-sale	8,415	-	-	-
Total assets	**101,035**	**113,143**	**127,121**	**151,077**
EQUITY AND LIABILITIES				
Capital and reserves attributable to the company's shareholders				
Share capital	3,846	8,735	8,735	15,223
Share premium account	16,971	16,971	-	-
Other reserves	4,298	7,149	8,370	8,275
Retained earnings/Accumulated Losses	(17,754)	(17,735)	1,143	(2,333)
Total equity	**7,360**	**15,120**	**18,248**	**21,165**
Technical provisions				
Insurance contracts	49,384	54,517	56,491	n/a
*Investment contracts with DPF**	17,030	17,564	21,677	n/a
Investment contracts without DPF	4,652	6,914	9,839	n/a
Provision for claims outstanding	445	1,188	1,433	n/a
Interest bearing borrowings	13,801	9,716	9,780	n/a
Deferred tax liability	3,105	2,099	2,473	n/a
Trade and other payables	5,211	5,973	6,990	n/a
Current tax liabilities	48	52	190	n/a
Total liabilities	**93,675**	**98,023**	**108,873**	**129,911**
Total equity and liabilities	**101,035**	**113,143**	**127,121**	**151,076**
**Discretionary Participation Feature*				

4.3 Ratio Analysis

	2015	2016	2017	2018F
Profitability				
Earnings Per Share	15c7	7c1	10c5	12c5
Return on Common Equity	78.4%	16.5%	19.0%	20.1%
Return on Assets	4.1%	1.6%	2.5%	2.5%
Solvency				
Solvency II Ratio	180%	189%	169%	170%
Gearing Ratio (1) (Tot Liab./Total Assets)	92.7%	86.6%	85.6%	86.0%
Gearing Ratio (2) (Net Debt/Equity)	113.6%	n/a	n/a	27.7%

Group assets increased by 12.3% from €113.1M at 31 December 2016 to €127.1M as at 31 December 2017 whereas shareholder funds also increased by 20.7%. The Group's net asset value at end of the year stood at €18.2M (2016: €15.1M). The solvency ratio declined due to the impact of the purchase of financial assets, while the level of gearing improved. The level of solvency is expected to improve following the scheduled rights issue in the current year.

4.4 Cash Flow Statement Review

Financial Year Ending	2015	2016	2017	2018
	Actual	**Actual**	**Actual**	**Projected**
	€000	**€000**	**€000**	**€000**
Cash (used in)/generated from operations	985	2,671	9,755	n/a
Dividends received	687	392	210	n/a
Interest received	1,151	1,903	1,939	n/a
Interest paid	(757)	(592)	(493)	n/a
Tax paid	(563)	(1,408)	(809)	n/a
Net cash (used in)/generated from operating activities	**1,504**	**2,965**	**10,601**	**6,004**
Cash (used in)/generated from investments				
Purchase of intangible assets	(51)	-	(228)	n/a
Purchase of property, plant and equipment	(27)	(149)	(162)	n/a
Purchase of investment property	(63)	(157)	(91)	n/a
Purchase of financial assets at fair value through profit or loss	(6,841)	(8,962)	(26,051)	n/a
Proceeds on maturity at available for sale	-	-	(81)	n/a
Proceeds on maturity of held-to-maturity investments	725	500	786	n/a
Proceeds from disposal of investments at fair value through profit or loss	6,415	5,470	5,569	n/a
Proceeds from disposal of available-for-sale financial assets	332	29	1	n/a
Proceeds from disposal of held-to-maturity investments	-	-	5,505	n/a
Proceeds from disposal of investment property	-	8,415	-	n/a
Proceeds from property classified as non-current assets held for sale	156	-	-	n/a
Proceeds on maturity of cash instruments	1,000	-	-	n/a
Net movement on other investments				
loans and receivables	(6)	12	28	n/a
Net cash (used in)/generated from investing activities	**1,642**	**5,159**	**(14,725)**	**17,821**
Cash (used in)/generated from financing				
Proceeds from issue of shares	-	4,889	-	5,487
Redemption of Bond	-	(13,823)	-	-
Net proceeds on bond	-	9,678	64	-
Payment for purchase of own debt	(276)	-	-	-
Net cash (used in)/generated from financing activities	**(276)**	**745**	**64**	**5,487**
Movement in cash and cash equivalents	**2,869**	**8,869**	**(4,059)**	**(6,330)**
Cash and cash equivalents at the beginning of the year	**2,571**	**5,441**	**14,310**	**10,250**
Cash and cash equivalents at the end of the year	**5,441**	**14,310**	**10,250**	**3,920**

In FY2016, net cash from operating activities increased significantly to €3.0M (2015: €1.5M), boosted by a sharp increase in the cash generated from operations and interest received. Net cash generated from investing activities increased sharply to €5.2M in 2016 (2015: €1.6M), boosted by the sale of property. Net cashflows from financing activities also increased to €745K in 2016 (2015: -€276K) as a result of the rights issue and net proceeds from the roll-over of the outstanding debt issue. The resultant total movement in cash of €8,9M increased the cash and cash equivalents at the end of the year to €14.3M.

FY2017 was characterised by a sharp increase in net cash from operating activities to €10.6M as a result of increased profitability, net movement in technical provisions and working capital movements. Net cash generated from investing activities decreased by €14.7M mainly as a result of a significant purchase of financial assets, being mainly debt securities. Net cash from financing activities was marginal, collectively resulting in a reduction in cash and cash equivalents of €4.1M to €10.3M.

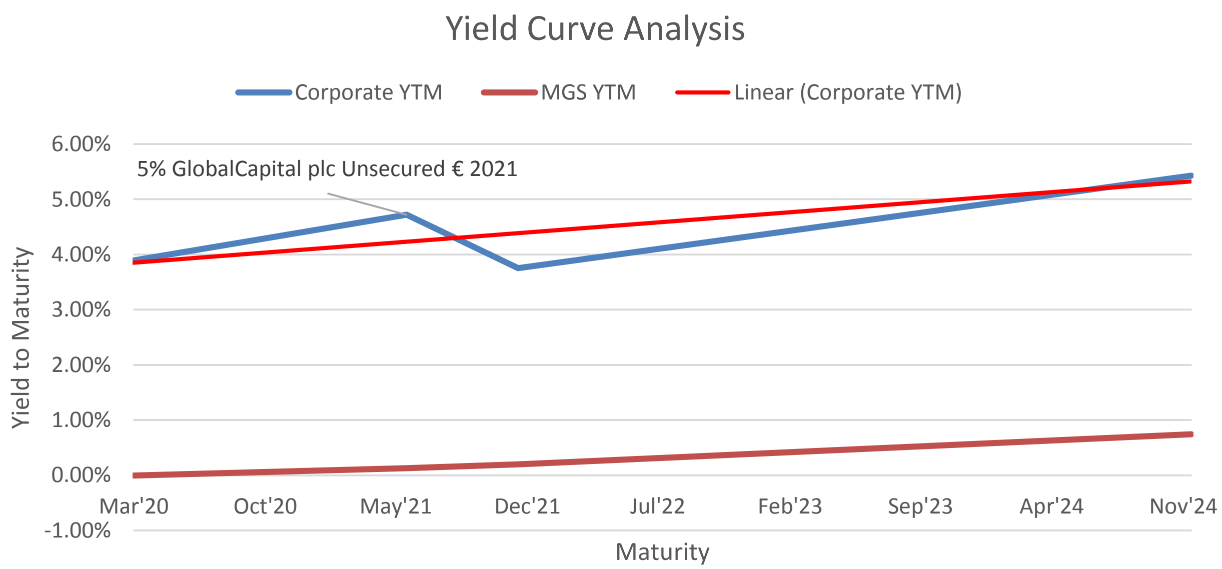
5. Comparative Analysis

GlobalCapital plc is a financial services company with securities listed on the on the Malta Stock Exchange (MSE). The company currently has a €10mln bond maturing in 2021, and has few comparable peers with similar maturing bonds and industry on the MSE presently. Given the limited amount of comparable companies, the data may be skewed and not reflective of a wider market.

Comparative Analysis	Yield to Maturity (%)	Total Assets (€M)	Net Asset Value (€'M)	Liabilities /Assets (%)	Return on Equity (%)
4.8% Bank of Valletta Plc Sub € 2020	3.89%	11,599	789	93%	12.9%
5% GlobalCapital plc Unsecured € 2021	4.72%	127	18	86%	19.0%
4.9% Gasan Finance Company plc € 2019-2021	3.75%	210	102	36%	9.1%
6% MeDirect Bank plc Subordinated Unsecured € 2019-2024	5.43%	2,573	226	91%	7.6%
Average of Comparables	**4.45%**	**3,627**	**284**	**77%**	**12.2%**

Source: Audited Annual Reports FY2017, yields as at 18th June 2018

GlobalCapital has an amount of leverage which is in line with other issuers on the Malta Stock Exchange. Despite this, the bond is offering a comparatively attractive yield to maturity of 4.72% compared to the average of 4.45% among issuers listed above as at 18th June 2018. Additionally, the bonds are trading at a spread of 459 basis points to the Malta Government Stocks.



6. Glossary and Definitions

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, that is, the operations of BCT and EQR
Operating Expenses	Operating expenses include the cost of terminal operations and management expenses in maintaining the investment property of EQR.
Profit before Tax (PBT)	Profit before Tax is the profit is achieved during the financial year after deducting all relevant expenses including interest expenses. This however does not include tax expense.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.
Profitability	
Return on Equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.
Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Company.
Cash flow from investing activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Company.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Company.
Balance Sheet	
Non-current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group allocates the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was purchased. Such assets include intangible assets (goodwill on acquisition), investment properties, and property, plant & equipment.
Current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group allocates the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was purchased. Such assets include intangible assets (goodwill on acquisition), investment properties, and property, plant & equipment.

Current assets	Current assets are all assets of the Company, which are realisable within one year from the balance sheet date. Such amounts include inventory, accounts receivable, cash and bank balances.
Current liabilities	All liabilities payable by the Company within a period of one year from the balance sheet date, and include accounts payable and short-term debt.
Net debt	Borrowings before unamortised issue costs less cash and cash equivalents.
Non-current liabilities	The Company's long-term financial obligations that are not due within the present accounting year. The Company's non-current liabilities include bank borrowings and bonds.
Total equity	Total equity includes share capital, reserves & other equity components, and retained earnings.
Financial Strength Ratios	
Solvency II ratio	A measure of an insurance company's own funds compared to their Solvency Capital Requirement. It is required to be at least 100% in order to avoid supervisory intervention.
Gearing ratio (1) (Total Liabilities/Total Assets)	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's total liabilities by total assets.
Gearing Ratio (2) (Net debt/Equity)	The gearing ratio is a measure of a company's leverage, calculated by dividing the net debt (financial debt less cash and cash equivalents) of a company by the total equity of a company.