

The background features a complex, abstract graphic design. It consists of several overlapping, semi-transparent shapes in various colors including blue, orange, yellow, green, and purple. These shapes are layered to create a sense of depth and movement. Interspersed among these shapes are thin, colored lines in shades of blue, yellow, and purple, some of which appear to be part of a larger, faint grid or network structure. The overall composition is dynamic and modern, suggesting a focus on technology and innovation.

2011 Annual Report

Gibtelecom



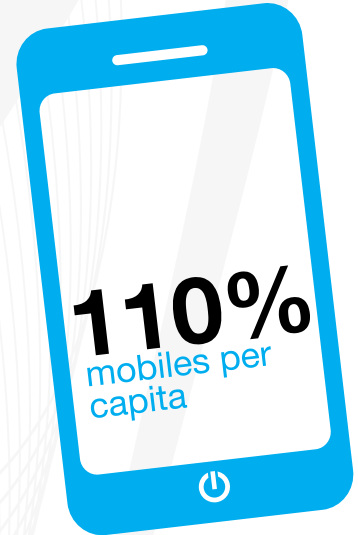
Gibtelecom
at a glance



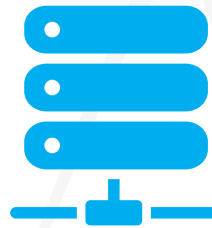
75m
voice
minutes



Total
mobile & fibre
coverage



110%
mobiles per
capita



700m²
purpose-built
data centres



85Gbps
international fibre links



82%
households
with ADSL

Annual report for the year ended 31 December 2011

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Chairman's Review

First of all let me say how delighted I am to have been appointed to the Board of Gibtelecom as its Chairman and to be working alongside the CEO, management team and staff in taking the Company forward. There can be little doubt that a 21st century communications business faces a range of opportunities and challenges.

Looking back to 2011, the year has once again proved to be a successful and transformational one for Gibtelecom. In addition to Gibtelecom continuing to advance the technology and services for the local market, the Company took its first steps towards creating a global carrier business and helping establish Gibraltar as an international communications hub.

Gibtelecom is a member of the Europe India Gateway [EIG] consortium, operating a submarine cable system which spans three continents and includes a landing point in Gibraltar. This is the first time in over a hundred years that Gibraltar has had a direct commercial submarine cable link and it should help meet Gibraltar's growing international communications needs for many years to come. The activation of the EIG system in 2011 not only provides Gibraltar with significantly improved route diversity, but enables the Company to seek business opportunities outside Gibraltar through capacity and bandwidth sales.

Investing in technology is a key strategy for Gibtelecom. The Company has extended and enhanced its national infrastructure during the year, seeing the beginnings of the development of a next generation network which will eventually facilitate bringing the fixed line, internet and mobile technologies closer together. Gibtelecom also continues to improve its mobile coverage around Gibraltar and to extend the reach of its roaming services throughout the world.

In order to cater for the growing demand for computer hosting services, the Company's facilities at its Mount Pleasant premises continue to be developed for use as state-of-the-art data centres. This is helping Gibraltar to meet the changing requirements of the business community, in particular the e-gaming industry, as well as proving to be an important new revenue stream for the Company. With regards to business enterprise services more generally, the Company was able at the turn of the year to make some headway in reducing bandwidth prices for its e-commerce customers and in March 2012 commenced enhancing its broadband offerings for residential and business customers.



Last year, Gibtelecom marked the successful completion of the third year of its communications technologies apprenticeship programme, launched in partnership with the Government of Gibraltar, with the award of various National Vocational Qualification (NVQ) certificates to sixteen apprentices. Additionally the Company participated in an NVQ accredited business and administration vocational training scheme, offering work experience placements of six months to young school leavers, as well as continuing its own long-standing programme of graduate sponsorships and student placements. The Company's continued success as a dynamic communications business in part depends on this ability to recruit and retain committed and skilled people.

July 2011 saw further changes in Board Directors with the departure of Mr Jožko Peterlin, and in whose place the Company welcomed Mr Marko Boštjančič, Member of the Telekom Slovenije Management Board with responsibility for marketing, sales, customer care and carrier services.

In conclusion, Gibtelecom's continuing investment in infrastructure, technology and people, together with its commitment to delivering quality services to its customers, should ensure that the Company remains at the forefront of the communications industry. A benchmark for achieving this goal would be the Company's retention of its 'Recognised for Excellence' award from the European Foundation for Quality Management, which is due to be reviewed during the forthcoming year.

A handwritten signature in black ink, appearing to read 'J Garcia', written in a cursive style.

Dr Joseph Garcia
Chairman



“

Our investment in training and development, together with building ownership for an on-going programme of change, is crucial to the Company's future development and success.

”

Interview with Tim Bristow, Chief Executive Officer

What is your assessment of the Company's performance in 2011?

Overall I am pleased with our performance, with business turnover increasing year on year by nearly 10 per cent, in the face of difficult worldwide market conditions, more competition as well as strong regulatory pressures. We also managed to meet some challenging strategic objectives and demanding operational targets that we had set for ourselves in the Business Plan at the start of the year. Particularly pleasing is some 95 per cent of our customers rating our services positively in independent surveys commissioned by the Company.

Gibtelecom continued to experience steady growth in its internet, leased circuits and data hosting businesses, whilst the cost of running the Company was contained at 70 pence per pound sterling raised. At the same time we have invested heavily in infrastructure, expanding and upgrading our fixed and mobile networks; introducing new services and products which are enhancing the customer experience and our brand reputation; and strategically building the Company for future development with our new global carrier business coming on stream.

Of course, this level of performance reflects the commitment, motivation and hard work of Gibtelecom's staff. Our investment in training and development, together with building ownership for an on-going programme of change, is crucial to the Company's continuing success. In 2011 we welcomed seven new colleagues to the business and said goodbye to four leavers, including Brian Asquez, an Operational Director who retired in May after 39 years of dedicated service. I also take this opportunity to express appreciation to Joe Holliday, who served as Gibtelecom's Chairman for the four years to December 2011.

Could you tell me about the EIG project, and other major highlights for Gibtelecom in 2011?

The EIG submarine cable system is Gibtelecom's most ambitious and substantial investment to date. A few years ago we took the step of committing some \$30 million to secure ownership of over four per cent of the shareholding of the cable, which now connects three continents and links Gibraltar directly with other parts of Europe including the UK. In September 2011 Gibtelecom commissioned a technical Point of Presence (PoP) in London Docklands. This alternative submarine path not only complements our other terrestrial and submarine fibre optic international links, but also provides Gibraltar with greater communications resilience and diversity. The huge amount of bandwidth capacity we now have at our disposal positions the Company to be able to operate outside Gibraltar as a global carrier and bandwidth wholesaler. For this reason in September last year we appointed an International Director with responsibility for marketing our EIG capacity in what is a highly competitive and commoditised wholesale market. Rab Paramothayan will, in addition, also oversee the Company's many other international traffic, routes and relationships.



Developing the technology for the future is critically important for Gibtelecom and in 2011 we saw the beginnings of the Company's next generation network, a newly converging communications highway that will bring closer together our fixed, mobile and internet technologies. Work in this field is being led by our newly created Next Generation Converged Network (NGCN) team, led by one of the top certified Cisco engineers in the world. We also continued the upgrading of some thirty technical premises around the Rock, getting close to completing our ambitious programme of extending the provision of back-up electricity to as many sites as practicable. In addition we expanded the Company's mobile reach both locally and internationally by increasing the broadband capabilities of the network, together with the number of in-building mobile signalling units installed throughout Gibraltar.

How has the transposition into local law of the latest European Union (EU) communication regulatory framework impacted on the Company?

Being part of an EU market, where the rules are designed for multi-national incumbents operating in large markets, is a considerable challenge for an operator the size of Gibtelecom. It also brings with it a substantial cost burden in terms of licences, mobile spectrum fees and overall compliance costs. The new communications framework legislation, which was introduced last year and transposed without prior industry consultation, aims to strengthen competition and consumer rights. It has already led the Company to review how its Reference Interconnect Offer (RIO) and Reference Unbundling Offer (RUO) under which competitors can use our networks, together with customer contracts and data protection measures, are handled and processed.

Although Gibtelecom had everything in place for the introduction of both fixed and mobile number portability by the original 1 June 2011 deadline required by the Gibraltar Regulatory Authority (GRA), implementation was delayed until 2012 due to competing service providers and the GRA's third party suppliers not completing the necessary preparatory works in time. In another development, the GRA suspended the retail price control procedures for fixed line services, to which the Company had been subject since 2009.



Gibtelecom is embarked on a quality journey and has attained the prestigious European Foundation for Quality Management (EFQM), "Recognised for Excellence" award. What new initiatives have been taken in 2011?

The Company is proud of its "Recognised for Excellence" achievement, being the first and only Gibraltar company so far to have received this accolade which we are committed to retaining. Our strengths, as determined by EFQM, are good leadership; people empowerment; sound financial performance; strong technical management; and delivering a good customer experience. This year we launched a new training and development plan which will continue to address the needs of all departments and grades in the organisation, and which we are confident will keep Gibtelecom ahead of the curve in the important areas of change management and customer services. In addition, we have continued investing in the future, with extensive technical training for our engineers and technicians and through our apprentices programme for National Vocational Qualification (NVQ) telecommunications practitioners awards. Alongside, the Company also continues its undergraduate sponsorship scheme, which is being strengthened from this year to try to attract students to study for specific scientific or engineering degrees that will be of most assistance to the business.

Our commitment to delivering service excellence and quality products is on-going. During 2011 we extended the Company's internet reach to PCs and IT systems for small businesses and residential customers, together with expanding our range of IP/IT related products. The Company also introduced a number of fixed line to mobile and mobile price reductions and launched a new Wi-Fi service at a range of locations, with users able to purchase internet time using their credit or debit cards through packages accessible from Gibtelecom's website. At the same time, we continued to measure customer perception via customer focus groups, seminars and the bi-annual independent customer surveys which overwhelmingly rated the Company's services highly.



Gibtelecom plays an important role in the Gibraltar economy but how does it interact with the local community?

Corporate social responsibility is an integral part of Gibtelecom's business agenda and for many years we have been engaged in supporting a wide range of local charitable, cultural, youth and sporting organisations, albeit the EFQM review identified that we would benefit from a more comprehensive community strategy. Investing in education has been a top priority. In 2011 the Company installed and financed a Wi-Fi network covering the whole of Westside Secondary School, as well as fitting out in the school a "Gibtelecom Internet Room" housing sponsored PCs. Previously, Gibtelecom had set-up a Wi-Fi system and Internet Room at Bayside Secondary School, and now plan to do the same at the Gibraltar College of Further Education. We have also continued with our summer placement programme for university students, bringing to some 250 the number of students who have gained experience of working in the world of communications. The Company is developing and expanding its student schemes to nurture local talent to meet Gibtelecom's growing requirement for certain high level engineering skills. The Company's sponsored undergraduate scheme, the predecessor to the new scheme, has over the last decade supported fourteen students with six now pursuing careers in the business.



What is your vision of where the Company is heading and what are the challenges?

Over the last decade the Company has successfully diversified its services and products, expanded its networks at home and abroad, built a data centre business and it is this diversification that has enabled us to continue to prosper. With increasing regulation and competition at home, Gibtelecom will continue down this path of diversification especially as we develop our international business and begin operations as a global carrier, partnering with other carriers to secure our worldwide reach.

We are also moving towards even more of a one stop communications shop, embracing communications, computing and value-added services. Gibtelecom is currently the largest computer hosting provider on the Rock operating state-of-the-art data centre facilities, well above sea-level and employing the latest industry standard technologies and Payment Card Industry (PCI) accredited data security procedures. The next stage would be to move into providing cloud services and we are also considering, subject to licensing, putting television and media services down Gibraltar's telephone lines.

Communications in the 21st century is an integral part of day-to-day life, and the industry is marked by continuous transformation driven by technological innovation and the way people now socially interact and work. Consequently no operator can afford to stand still and Gibtelecom is no exception. So keeping pace with emerging technology is a major challenge, which is why we are investing so much into putting in place the infrastructure that will enable us to roll out our next generation network and converged technologies. In order to deliver this way forward the Company also needs highly qualified and skilled persons, whom we need to be able to recruit, remunerate and retain.



Gibtelecom is the telecommunications company of choice in Gibraltar reflecting continued investment in our infrastructure, technology and people; excellent customer care; and quality products. In addition we are positioning Gibtelecom to build a global business that perhaps one day may rival our domestic one and help ensure the Company's future strength and success.

Tim Bristow

Chief Executive Officer
CEO





Gibtelecom is the main provider of telecommunications services in Gibraltar



Mission Statement

Gibtelecom is the communications business of choice, through delivering quality and cost effective products and services together with an excellent customer experience.

Vision

Gibtelecom continues to be a modern and innovative communications business focused on stakeholders, in Gibraltar and globally.

Gibtelecom continues to be recognised as a European business, worthy of being benchmarked.

Values

Gibtelecom focuses on its stakeholders by:

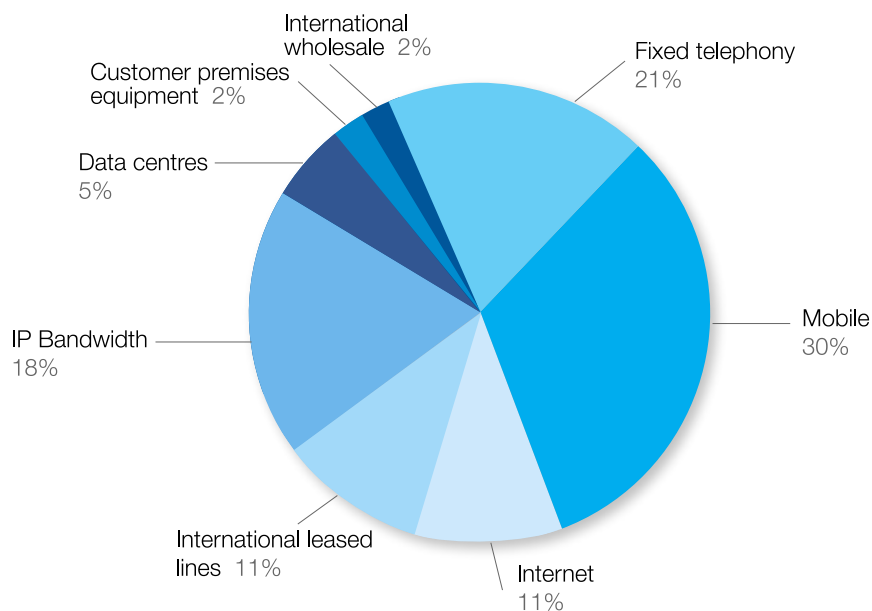
- > Providing an exceptional service to customers and partners at home and abroad
- > Being aware of the community and environment
- > Employing people with the right abilities and positive attitudes
- > Being responsive to shareholders

Financials

“ The turnover of the business has tripled over the last decade and continues to grow ” **Frank Perera**, Finance Manager

The turnover of the business increased year-on-year by c10% to £36.6 million from £33.4 million. Gibtelecom's profit on ordinary activities after taxation for the twelve months to 31 December 2011 was c£9.3 million.

Turnover: £36.6m

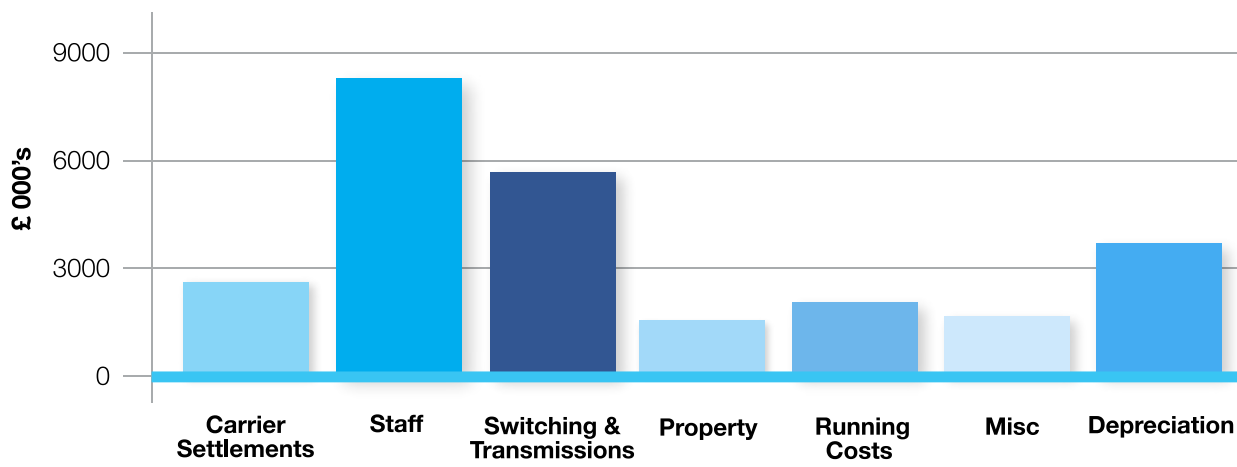


Capital Investment 2009-2011 £23m

Operating costs were contained at £25.4 million, some 5% up year-on-year. The increases over and above inflation were mainly driven by settlement costs for roaming services and voice terminating traffic and bandwidth switching and transmission costs being higher than anticipated.

The Directors declared dividends from the 2011 earnings of £6.6 million, of which £4.4 million was paid as an interim dividend in December 2011 with the final dividend of £2.2 million being declared and paid after the year end. This equates to £3.3 million being paid to each shareholder in respect of the 2011 earnings.

Operational Expenditure 2011

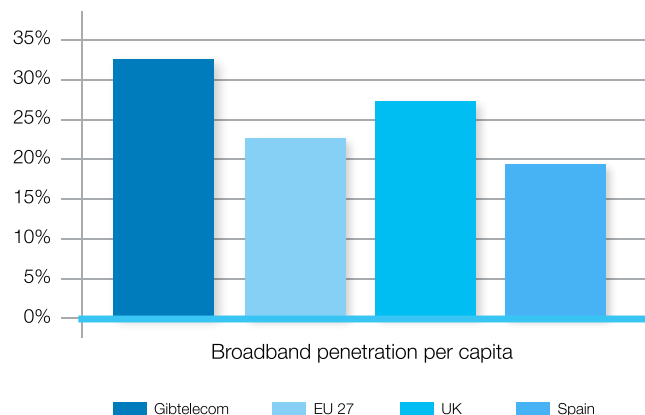


Usage

“ The challenge is providing instant connectivity and responding to the needs of an increasingly demanding market ” **Adrian Moreno**, Operations Director

Internet

Take-up of broadband lines increased by some 10% over the last year. It is estimated that close to 80% of local households now have fixed broadband access, compared to some 55% of households across the rest of the European Union.



Local voice

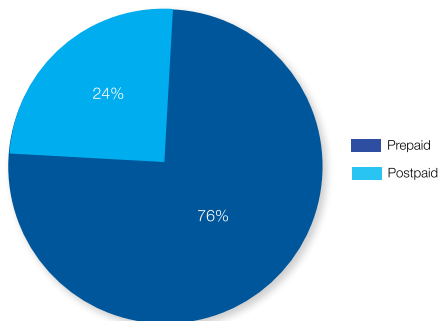
Fixed local voice traffic also continues to decline, reducing by some 4% year-on-year. This is mainly attributable to greater use of mobile phones and internet social networking sites.

International voice traffic

International direct dialling (IDD) traffic continues on a downward trend. In 2011 Gibtelecom carried some 8% less minutes than in 2010 mainly as a result of customers increasingly using alternative internet services, such as Skype, MSN Messenger and Vonage. Gibtelecom, however, continues to command a considerable market share of Gibraltar's total international traffic. IDD traffic makes up 71% and the Company's "884" service a further 18% of the overall market, having successfully strengthened its competitive position in the cheaper international VoIP (voice over internet protocol) market this past year.

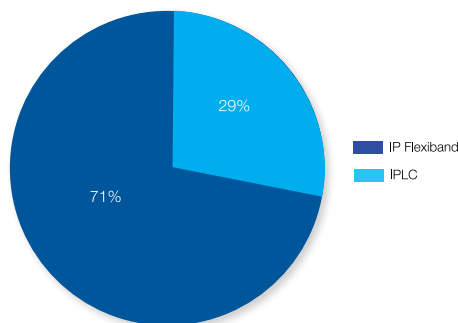
Mobile

Both post-paid and prepaid mobile subscribers have continued to grow, despite increasing competition locally and from Spanish operators whose signal penetrates to many parts of Gibraltar. As a result, mobile voice and data usage has also increased throughout the year. Of the local operators market, Gibtelecom estimates its market share is still over 90%.



Leased Lines

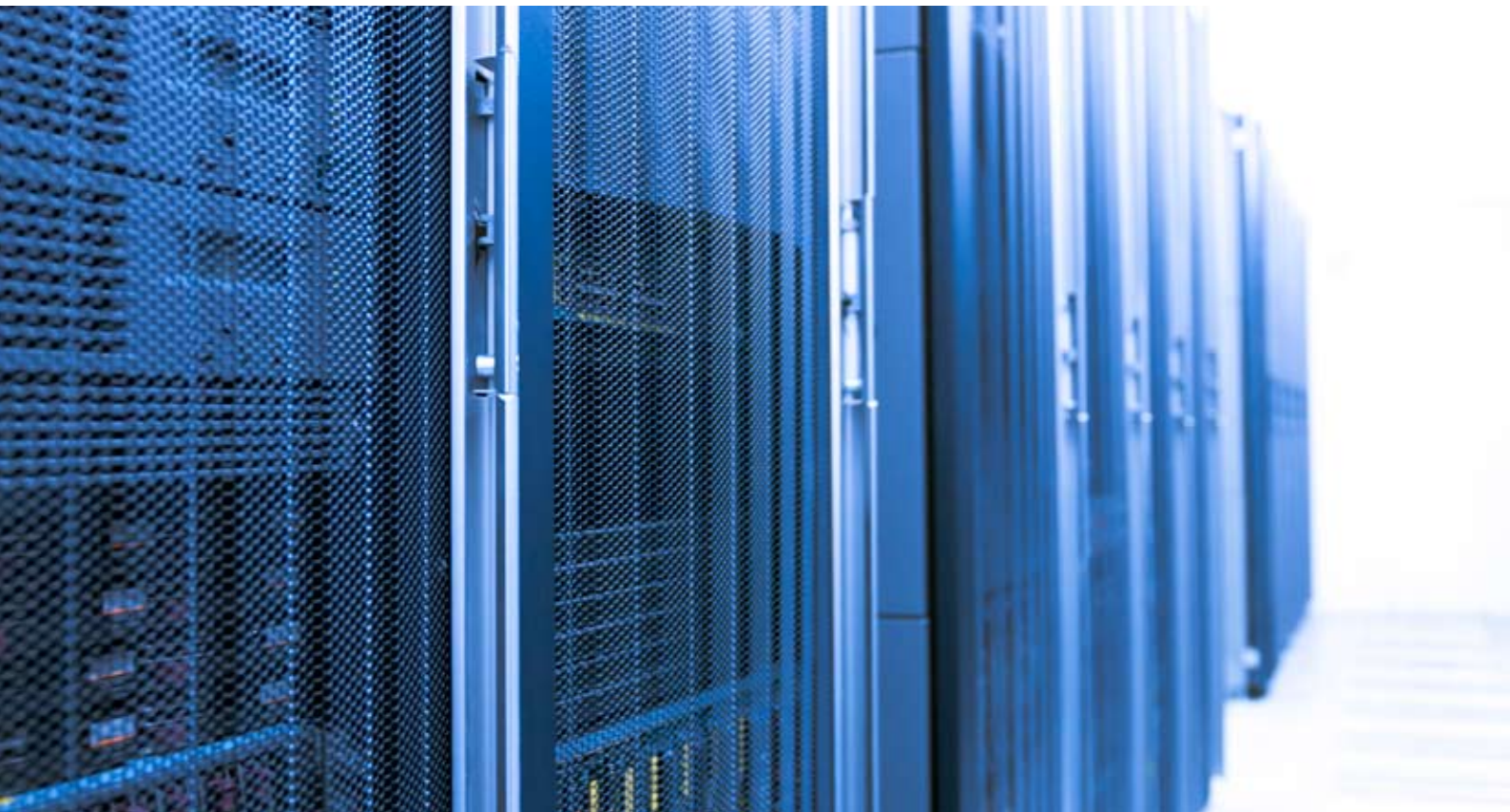
Contracted internet bandwidth for ecommerce has increased steadily throughout the period to be a quarter up by the end of the year. Businesses requirement for higher bandwidth point to point leased circuits has also increased during this same period. The Company estimates it has about two thirds of this leased lines market.



Server Hosting

Demand for hosting customers' equipment within Gibtelecom data centres continues to grow. Gibtelecom's data centres are currently running at virtually full capacity, with additional data centre capability now expected to become available towards the end of 2012.

700m²
Purpose built
data centres



Networks

“ Gibtelecom’s infrastructure constitutes the cornerstone of its growth ” **Xavi Bado**, Technical Director

In 2011, Gibtelecom:

Upgraded and expanded the fixed line network

- ✓ completed new resilient fibre rings
- ✓ laid many kilometres of new fibre/copper cabling
- ✓ increased number of remote switches
- ✓ back up electricity to remote sites

Commenced developing a next generation network

- ✓ upgraded IP core network
- ✓ improved resilience and diversity
- ✓ extended terrestrial international links
- ✓ new fibre optic submarine cable

Fixed Line Infrastructure

- 500 km copper cable
- 40 km fibre cable

Improved mobile coverage:

Locally

- ✓ Increasing broadband capabilities of the 3G network and the number of in-building mobile 2G signalling equipment (Pico cells) throughout Gibraltar.

Internationally

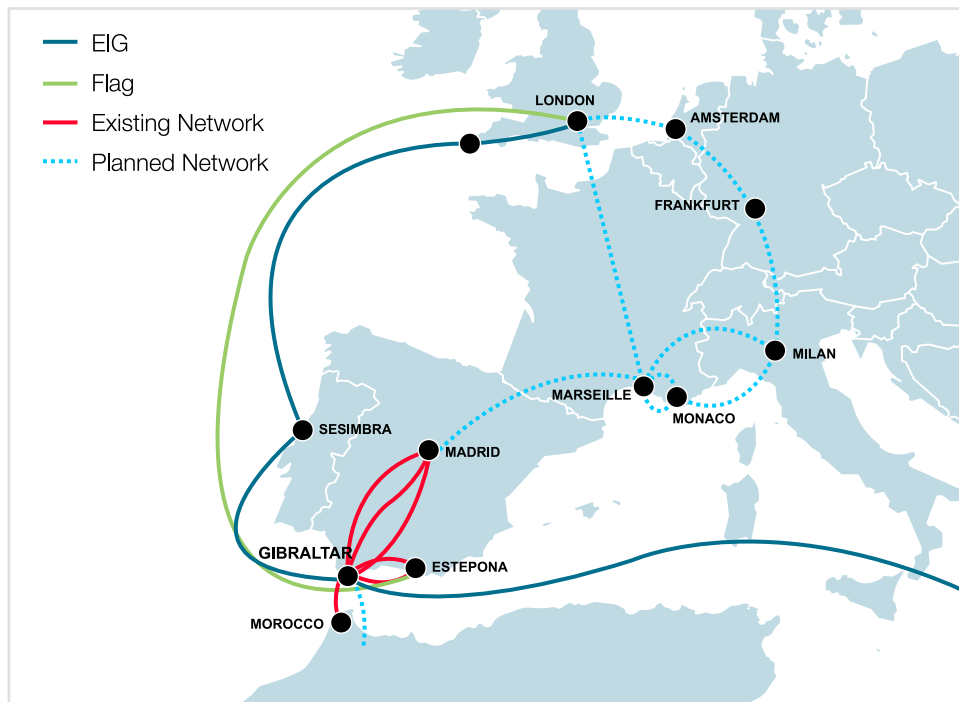
- ✓ GSM roaming coverage: extended to **468 operators in 154 countries**



- ✓ Data roaming coverage: growing to **291 operators in 114 countries**



International Routes



Customers

“Gibtelecom is the customer's operator of choice in Gibraltar, offering flexible products and services”

Francis Lopez, Business Director

Recruiting new customers is important and retaining their loyalty essential. Gibtelecom offers quality products and customer centric services that are second to none - recognised by the prestigious European Foundation for Quality Management (EFQM) with Gibtelecom's "Recognised For Excellence" accreditation. Gibtelecom is also an ISO 9001:2008 accredited company.

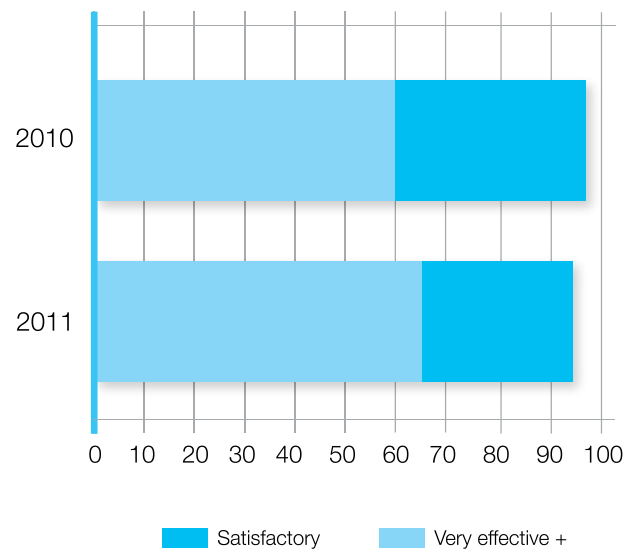


2011 Initiatives

Last year Gibtelecom rolled out a number of initiatives to win customer loyalty and enhance the customer experience:

- ✓ launched a “one-stop shop” enhancing internet and desktop support to ensure that customers standalone PCs, small home/office networks, games consoles and tablets are able to access the internet

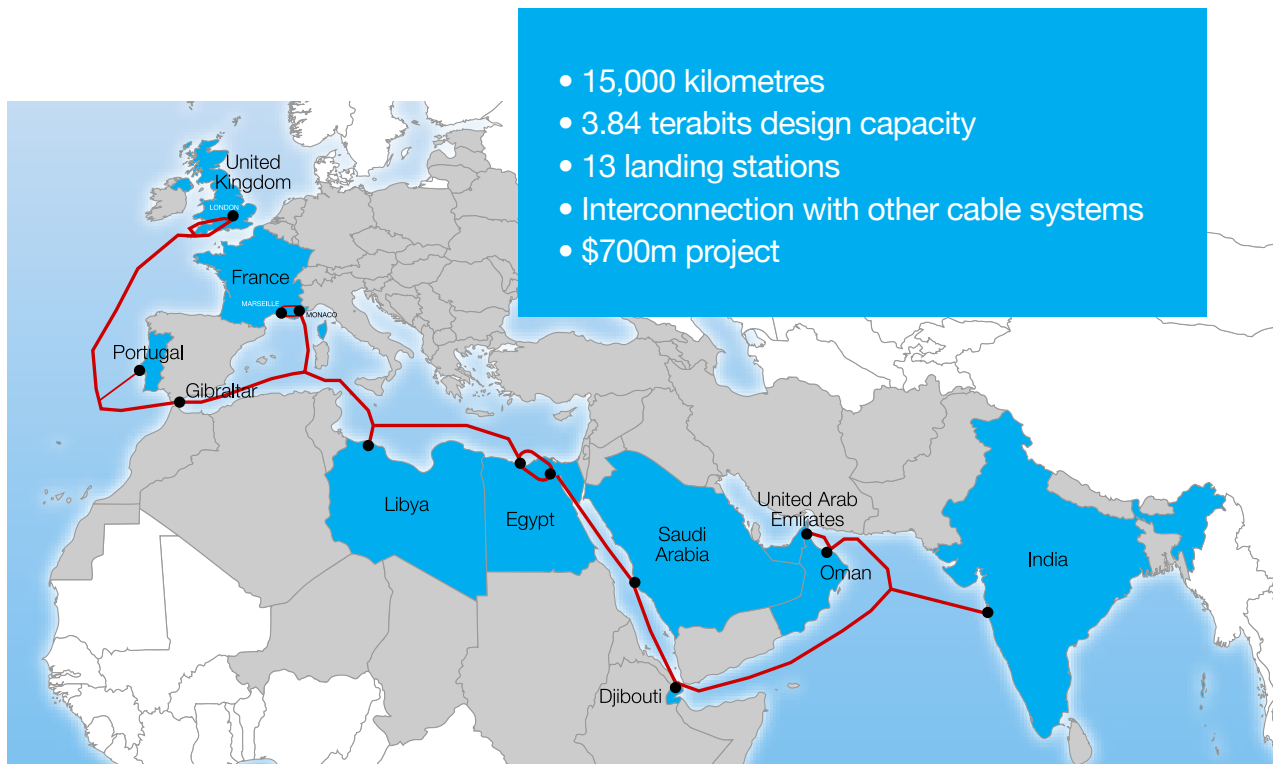
- ✓ helped customers set up various internet and email accounts
- ✓ provided automated “bill shock” data alerts to mobile customers once they exceed 40 MB of local data usage
- ✓ produced a new series of booklets to inform customers of the different products and services offered by the Company
- ✓ sold a wider range of mobile phones, including smartphones
- ✓ fixed to local mobile calls - reduced by 2p per minute. The standard rate was reduced from 13p to 11p per minute and the cheap rate from 8p to 6p per minute
- ✓ mobile SMS messages – reduced by 1p for contract customers
- ✓ Reload customers – mobile to fixed (standard rate) reduced by 3p per minute
- ✓ 100 SMS bundle reduced to £5 (from £6) and 200 SMS bundle to £8 (from £10)
- ✓ the bi-annual (April and October) independent customer surveys once again showed that that Company was maintaining a creditable 97% of customers rating the services as satisfactory and above, with a slight improvement on the previous year with 60% of those surveyed rating the service as excellent



Global Presence

“ The Europe India Gateway (EIG) cable is not just about providing Gibraltar with improved connectivity and resilience, it also positions Gibtelecom internationally ”

Rab Paramothayan, International Director



Activation of the EIG (Europe India Gateway) submarine cable system was achieved in early 2011. Gibtelecom (one of the founding members of the 16 member EIG consortium) was then able to activate part of the system and establish a technical Point of Presence (PoP) in London.



Ilhe de Brehat cable ship laying the EIG cable in the Bay of Gibraltar

This investment:

- ✓ complements existing routes and provides Gibraltar with direct connectivity to the UK, Europe and the rest of the world
- ✓ provides Gibtelecom with high quality transmission and capacity to meet future growth
- ✓ places the Company in a position to start building a global carrier business



Our People

“ Recruiting and retaining top talent is key to Gibtelecom’s success ”

Lesley Louise, Human Resources Manager

Gibtelecom is committed to ensuring that our people experience job satisfaction, good working conditions and terms and conditions of service. Gibtelecom aims to recruit and retain the best employees in our sector as this is key to delivering services to the highest standards. In 2011 the Company continued investing in the training and development of its staff.

c500
training days
in 2011

In 2011:

- ✓ achieved a year and a half of technical training (average one week per technical employee)
- ✓ launched a new “soft skills” training programme designed to develop the non-technical development needs across all departments and grades in the organisation, such as communications, leadership, people management and customer services
- ✓ successfully mentored apprentices undertaking various stages of the National Vocational Qualification (NVQ) certification as telecommunications practitioners

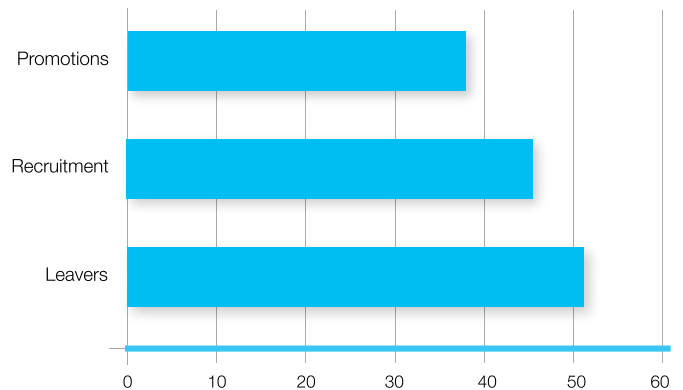


From 1 August staff received a 2.5% increase in salary. Staff turnover remains relatively low, although since shortly after the merger of Gibraltar Nynex Communications (GNC) with Gibtel 2003, 53 employees have joined with 51 leavers.

Gibtelecom operates two pension schemes for employees, one for former GNC employees and new recruits to Gibtelecom (Gibraltar Nynex Communications Staff Pension Scheme) and the other for former Gibtel employees (Gibtel Pension Fund), both providing defined post-retirement benefits based on final pensionable salary. As a consequence of the Gibraltar Equal Opportunities Act 2007, the Company together with the Trustees of the two funds agreed that the normal retirement age would be increased to 65 years. In order to preserve the contracted rights of employees who joined the Company before 1 June 2010, the normal retirement age for them can be maintained at 60 years unless they choose to work for longer.

During the course of the year, a number of changes were effected on the Company's organizational structure, following the early retirement of the Director Resources. These changes included the creation of a Next Generation Network (NGN) department and the International Directorate.

2003 to 2011

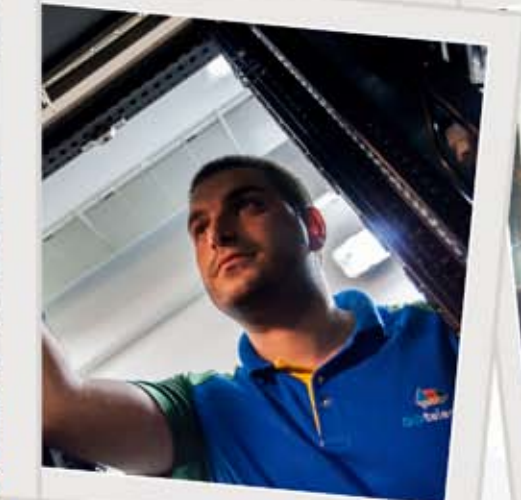




Gibtelecom

Our People





Community

“ As a large business on the Rock, Gibtelecom is a major supporter of local charities and sponsor of community events ”

Adrian Ochello, Marketing and Business Development Manager



Some 2011 projects:

- ✓ the installation of a Wi-Fi network at Gibraltar's Westside Secondary School as well as the provision of PCs with internet connection and printer in a "Gibtelecom Internet Room".
- ✓ one-to-one advice on Information Technology to senior citizens during the "Computer Fun Days" organised by the Citizen Advice Bureau (CAB)
- ✓ providing technical support to the prestigious Tradewise Gibraltar International Chess Festival that enabled enthusiasts around the globe to follow the tournament over the internet. Gibtelecom was the founding and lead commercial sponsor of the tournament from its inception in 2002 until 2010.

- ✓ - donated to St John's Ambulance with the purchase of a defibrillator for the organisation
- supported the clubhouse Project, supporting people with mental health problems, building refurbishment
- assisted the Down's Syndrome Support group to established their education. leisure and social programme

In addition Gibtelecom sponsored, together with Ministry of Culture, the Summer Nights programme of light entertainment which was held over a period of weeks in Casemates. This provided a diverse selection of quality musical and other entertainment for all the community. Gibtelecom also donated the prizes for the children's X-factor competition.



As in previous years, Gibtelecom continued sponsoring various student schemes including one for undergraduates, which is now in its tenth year and aimed at university undergraduates studying a scientific or technical discipline. In addition the Company continued the very popular summer placements for local students studying abroad.

Strategy in action

“ Our strategy for 2012 is to build the business for future growth ”

Tim Bristow, Chief Executive Officer

Our goals

The strategic aims and goals for 2012 and beyond are set out below.

Sustaining revenues

- ✓ through introducing new services & products
- ✓ by delivering quality services and an excellent customer experience
- ✓ developing the sale of IP/IT related products
- ✓ building additional data centre capability

Developing technology

- ✓ commencement of next generation converged network
- ✓ enhancing the mobile and fixed network
- ✓ upgrading international router and links
- ✓ delivering a new integrated automated networks records, customer services and billing system



Operating efficiently

- ✓ focus on building on quality standards already achieved
- ✓ continue the partnership approach of regularly engaging with top business customers, local representative groups and suppliers
- ✓ meet diverse regulatory obligations whilst maintaining a competitive edge
- ✓ retain EFQM “Recognised for Excellence” award

A global business

- ✓ commence operations as a small global carrier, marketing and selling EIG capacity beyond Gibraltar
- ✓ partner with other international carriers to secure worldwide reach
- ✓ explore new submarine cable route opportunities
- ✓ participate in any EIG cable upgrades

Corporate Responsibility

- ✓ ensuring good governance of the Company
- ✓ engaging employees through various initiatives, including an employee survey and well-being programme
- ✓ supporting the community by investing c8% of annual earnings after tax in educational, charitable, youth and sports organisations
- ✓ safeguarding the environment by reducing electrical power consumption

Director's Report

The Directors present their report, business review and audited financial statements for the year ended 31 December 2011 for Gibtelecom Limited (“Gibtelecom”).

The Group has been trading as Gibtelecom since July 2002, and as of 1 October 2003 this name was formally adopted by the company (previously Gibraltar Nynex Communications [GNC]). In January 2009 the subsidiary company, Gibraltar Telecommunications International (Gibtel), all its assets or liabilities having been transferred to the parent company several years ago, was struck off having been a non-trading subsidiary following its acquisition by GNC. Gibconnect Limited remains a nominal non-trading company as at 31 December 2011.

Principal Activities

Gibtelecom is registered in Gibraltar and its principal activities are the provision of fixed line, internet and mobile services, together with the supply of various communications equipment in Gibraltar. The share capital of the Company is jointly owned by Telekom Slovenije, listed on the Ljubljana Stock Exchange, and the Government of Gibraltar.

Gibtelecom is authorised under the Communications Act 2006 to provide fixed line, internet, mobile, satellite and other radio-communication services. The current authorisations supplement the licences issued by the Government of Gibraltar on 1 August 2003 for a period of 15 years, which in turn replaced the previous licences issued to GNC in May 1990 and Gibtel in January 1988.

Business Review

The Company's turnover was £36,617,902 (2010: £33,425,690). Profits after tax were £9,349,942 (2010: £11,896,122), with the dividends paid in 2011 amounting to £6,400,000 comprising a final dividend in respect of 2010 of £2,000,000 and an interim dividend for 2011 of £4,400,000. The final dividend in respect of the 2011 earnings of £2,200,000 was declared after the year end and paid in March 2012.

Corporate Governance

Gibtelecom's Board of Directors is strongly committed to maintaining high standards of corporate governance, which it considers are critical to business success and delivering value to stakeholders. Gibtelecom acts in accordance with corporate governance best practice and guidelines, through adopting proper standards of business practice and procedures and by expecting all its executives and employees to uphold the highest ethical standards of honesty, integrity and fairness.

The Board provides direction to the Company whilst ensuring that a framework of prudent and effective controls exists in order to assess and manage risk. The Board met in Gibraltar four times during 2011, and a robust system of management controls, business planning and reporting provides the necessary oversight for all aspects of the company's operations. In 2010 the Board conducted an extensive review of the Company's corporate governance procedures and performance, the outcome of which was very satisfactory.

Gibtelecom holds the ISO9001:2008 certification. In 2010, the Company received the prestigious European Foundation of Quality Management [EFQM] 'Recognised for Excellence' (with four stars) award, a first for a Gibraltar company. Gibtelecom's quality systems are audited by independent external assessors, combined with bi-annual surveys of customers conducted by an independent third party. In addition, the Company hosts a series of customer seminars and focus groups to obtain feedback on extant and developing services.



Marko Bostjancic

Brigita Boh

Tim Bristow
CEO

The Hon Dr. Joseph Garcia
Chairman

Zoran Vehovar

Dilip Dayaram Tirathdas

Directors

The various Board Directors who held office during the year are shown below.

Directors	Nationality	Dates
Joseph Garcia Tim Bristow Dilip Dayaram Tirathdas Zoran Vehovar Brigita Boh Marko Boštjančič	Chairman Chief Executive Officer British British Slovenian Slovenian Slovenian	From 13 December 2011 From 1 July 2011
Former Directors Joe Holliday Jožko Peterlin	 British Slovenian	 To 13 December 2011 To 1 July 2011

An Executive Committee is responsible for the day-to-day management of Gibtelecom. This senior management group comprised the Chief Executive Officer and Board Director, Tim Bristow, and four Operational Directors.

Statement of Directors' responsibilities

Gibraltar company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group and the profit or loss of the Group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements and that Gibraltar Accounting Standards have been applied in their preparation.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Gibraltar Companies Act and other applicable legislation. They are also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and the appointment of auditors for 2012 will be considered at the next Annual General Meeting.

By order of the Board



F Brancato

Company Secretary

Gibraltar

4th of July 2012



Gibtelecom Executive Committee

Left to right: Business Director, Francis Lopez; Technical Director, Xavi Bado; Chief Executive Officer, Tim Bristow; Operations Director, Adrian Moreno; International Director, Rab Paramothayan.

Independent auditors' report to the members of Gibtelecom Limited

Report on the financial statements

We have audited the financial statements of Gibtelecom Limited for the year ended 31 December 2011 which comprise the consolidated profit and loss account, the consolidated and the Company's balance sheet, the consolidated cash flow statement, the statement of group total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Directors' responsibilities for the financial statements

The directors are responsible for the preparation and true and fair presentation of these financial statements in accordance with applicable law in Gibraltar and Gibraltar Accounting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with Gibraltar Generally Accepted Accounting Practice, of the group and the Company's affairs as at 31 December 2011 and of its profit and cash flows for the year then ended.

Independent auditors' report to the members of Gibtelecom Limited continued

Report on other legal and regulatory requirements

In addition to reporting on the financial statements, Gibraltar legal and regulatory requirements also require us to:

- (a) Report to you our opinion as to whether the financial statements have been properly prepared in accordance with the Companies Act, the Companies (Accounts) Act 1999 and the Companies (Consolidated Accounts) Act 1999.
- (b) State in our report whether in our opinion the information given in the directors' report is consistent with the financial statements.
- (c) Report to you if, in our opinion, the group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors remuneration and other transactions.

Opinion

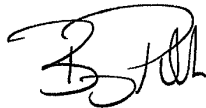
In our opinion the financial statements have been properly prepared in accordance with the Companies Act, the Companies (Accounts) Act 1999 and the Companies (Consolidated Accounts) Act 1999, and the information given in the directors' report is consistent with the financial statements.

We have nothing to report to you in respect of our responsibility set out in (c) above.

Other matters

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Section 182 of the Companies Act and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

The maintenance and integrity of the Gibtelecom website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.



Barry Pillans

Statutory auditor

For and on behalf of

PricewaterhouseCoopers Limited

Gibraltar

5th of July 2012

Consolidated profit and loss account for the year ended 31 December 2011

	Note	2011 £	2010 £
Turnover – continuing operations	2	36,617,902	33,425,690
Payments to other telecommunications administrators		(2,784,559)	(2,253,691)
Other external charges		(5,624,282)	(4,856,157)
Staff costs	3	(7,797,036)	(7,218,200)
Depreciation	10	(3,681,624)	(4,017,127)
Other operating charges	6	(5,547,582)	(5,748,849)
Operating expenses – continuing operations		(25,435,083)	(24,094,024)
Group operating profit		11,182,819	9,331,666
Interest receivable on bank deposits		9,879	4,275
Interest payable and similar charges	7	(531,132)	(282,802)
Other finance costs	23	(168,000)	(300,000)
Profit on ordinary activities before taxation		10,493,566	8,753,139
Tax on profit on ordinary activities	8	(1,143,624)	3,142,983
Profit for the financial year	19	9,349,942	11,896,122
Dividends	9	(6,400,000)	(4,000,000)
Retained profit for the financial year	20	2,949,942	7,896,122

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

Statement of group total recognised gains and losses for the year ended 31 December 2011

	Note	2011 £	2010 £
Profit for the financial year	19	9,349,942	11,896,122
Actual return less expected return on pension scheme assets	23	(770,000)	1,229,000
Experience losses arising on the pension scheme liabilities	23	(288,000)	(373,000)
Changes in assumptions underlying the present value of the pension scheme liabilities	23	(756,000)	756,000
Movement on deferred tax relating to pension asset	16	204,600	(595,300)
Total recognised gains since last annual report		7,740,542	12,912,822

Balance sheets as at 31 December 2011

	Note	Group		Company	
		2011 £	2010 £	2011 £	2010 £
Fixed assets					
Tangible assets	10	44,606,352	39,946,479	44,606,352	39,946,479
Investments	11	-	-	4,000	4,000
		44,606,352	39,946,479	44,610,352	39,950,479
Current assets					
Stocks	12	1,087,979	1,076,054	1,087,979	1,076,054
Debtors	13	6,645,472	6,559,380	6,645,472	6,559,380
Cash at bank and in hand	22	5,756,706	7,638,937	5,756,706	7,638,937
		13,490,157	15,274,371	13,490,157	15,274,371
Creditors: amounts falling due within one year	14	(9,682,676)	(7,606,143)	(9,686,676)	(7,610,143)
Net current assets		3,807,481	7,668,228	3,803,481	7,664,228
Total assets less current liabilities		48,413,833	47,614,707	48,413,833	47,614,707
Creditors: amounts falling due after more than one year	15	(13,155,981)	(13,820,517)	(13,155,981)	(13,820,517)
Provisions for liabilities and charges	16	(444,162)	(1,139,442)	(444,162)	(1,139,442)
Net assets excluding pension liability		34,813,690	32,654,748	34,813,690	32,654,748
Pension liability	23	(5,428,800)	(4,610,400)	(5,428,800)	(4,610,400)
Net assets including pension liability		29,384,890	28,044,348	29,384,890	28,044,348
Capital and reserves					
Called up share capital	17	15,000	15,000	15,000	15,000
Share premium account	18	14,985,000	14,985,000	14,985,000	14,985,000
Profit and loss account	19	14,384,890	13,044,348	14,384,890	13,044,348
Equity shareholders' funds	20	29,384,890	28,044,348	29,384,890	28,044,348

The financial statements on pages 37 to 56 were approved by the Board of Directors on 4th July 2012 and were signed on its behalf by:



T J Bristow
Director



Marko Boštjančič
Director

Consolidated cash flow statement for the year ended 31 December 2011

	Note	2011 £	2010 £
Net cash flow from operating activities	21	15,661,586	11,928,251
Returns on investments and servicing of finance			
Interest received		9,879	4,275
Interest paid		(531,132)	(282,802)
Net cash outflow from return on investments and servicing of finance		(521,253)	(278,527)
Corporation tax paid		(1,100,453)	(1,956,896)
Capital expenditure and financial investments			
Sale of tangible fixed assets		39,300	-
Payments to acquire tangible fixed assets		(9,078,071)	(7,149,606)
Net cash outflow for expenditure and financial investment		(9,038,771)	(7,149,606)
Equity dividends paid		(6,400,000)	(4,000,000)
Financing			
Proceeds from bank borrowings		1,300,000	8,000,000
Repayment of bank borrowings		(1,783,340)	(941,596)
Net cash (outflow)/inflow from financing	22	(483,340)	7,058,404
Management of liquid resources			
Decrease in short term deposits		-	-
(Decrease)/increase in cash	22	(1,882,231)	5,601,626
Reconciliation of net cash flow to movement in net funds			
	Note	2011 £	2010 £
(Decrease)/increase in cash		(1,882,231)	5,601,626
Cash used to increase liquid resources		-	-
Movement in net funds	22	(1,882,231)	5,601,626
Movement in borrowings	22	483,340	(7,058,404)
Net funds at 1 January	22	(7,853,555)	(6,396,777)
Net funds at 31 December	22	(9,252,446)	(7,853,555)

Notes to the financial statements for the year ended 31 December 2011

1 Accounting policies

These financial statements have been prepared under the historical cost convention, the accounting policies set out below, applicable legislation and in accordance with Gibraltar Accounting Standards.

Gibraltar legislation applied in the preparation of these financial statements includes the Companies Act, the Companies (Accounts) Act 1999 and the Companies (Consolidated Accounts) Act 1999.

A summary of the more important accounting policies is set out below.

Basis of consolidation

The consolidated financial statements deal with the financial statements of Gibtelecom Limited ("Gibtelecom") and its wholly owned non-trading subsidiary, Gibconnect Limited as at 31 December 2011. In accounting for its shareholding in its non-trading subsidiary, the Group consolidates fully its nominal shareholding at the year end.

The Company has opted for the exemption from preparing its own profit and loss account and related notes available under section 10(3) of the Companies (Consolidated Accounts) Act 1999.

Turnover

Turnover represents the amounts billed for various telecommunications services, related equipment rentals and sales and data centre services.

Revenue in respect of all telecommunications services is accounted for in the period when the services are provided, including prepaid mobile call card sales which are deferred until the customer uses the stored value in the card to pay for the relevant calls.

Equipment rentals and data centre charges are recognised as income over the period to which the charges relate.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Sterling at the prevailing rates of exchange at the balance sheet date. Transactions in foreign currency are translated into Sterling at the rate prevailing on the date of the transaction. Differences on exchange are taken directly to the profit and loss account in the period in which they arise.

Operating leases

Rentals on operating leases are charged to the profit and loss account as incurred.

Provision for doubtful debts

Provision is made for all customer debts over three months old. In all other cases specific provisions are made should the Directors consider that the recovery of debts is in serious doubt.

Tangible fixed assets

Tangible fixed assets are stated at cost, which comprise cost of equipment and materials, including freight, charges for installation and building works. No direct labour costs incurred by Gibtelecom in the installation of the Company's telecommunications, infrastructure, equipment and plant are capitalised.

Tangible fixed assets are depreciated by equal annual instalments over their estimated useful lives on a straight-line basis. The annual rates applied are:

Exchange equipment	7%	-	16%
Network equipment	5%	-	20%
Rental equipment	18%	-	33%
Furniture and fittings	15%	-	33%
Motor vehicles	20%	-	25%
Computers	20%	-	33%
International cable routes			33%
Freehold land and building			2%
Leasehold building			2%

The freehold land and building relates to the Company's premises at 15/21 John Mackintosh Square. The leasehold building held by the Company relates to the 49 year leasehold property at Mount Pleasant.

Assets in the course of construction are not depreciated until they are brought into use.

Impairment

Tangible fixed assets and fixed asset investments are subject to impairment review in accordance with FRS (Financial Reporting Standard) 11 – "Impairment of fixed assets and goodwill" if there are events or changes in circumstances that indicate that their carrying amount may not be fully recoverable. The impairment review comprises a comparison of the carrying amount of the fixed assets with its recoverable amount, which is the higher of net realisable value and value in use. The carrying value of fixed assets is written down by the amount of any impairment and this loss is recognised in the profit and loss account in the period in which it occurs. If the occurrence of an external event gives rise to the reversal of an impairment loss, the reversal is recognised in the profit and loss account and by increasing the carrying amount of the fixed asset in the period in which it occurs. The carrying amount of the fixed asset will only be increased up to the amount that it would have been had the original impairment not occurred.

Pension schemes

Gibtelecom operates two funded defined-benefit pension schemes. The pension asset or liability recognised in the balance sheet is the value of the schemes' assets less the present value of the schemes' liabilities as determined at the year end under FRS (Financial Reporting Standard) 17 – 'Retirement benefits'.

The pension cost for the schemes is determined by the actuaries who analyse between current service cost, past service cost and net return on the pension schemes. Current service cost is the actuarially calculated present value of the benefits earned by the active employees in each period. Past service costs, relating to employees service in prior periods arising in the current period as a result of changes in actuarial assumptions, would be recognised in the profit and loss account on a straight-line basis over the period in which the benefits vest.

Net expected return on the pension asset or liability comprises the expected return on the pension schemes assets less interest on schemes liabilities.

The actuarial gains or losses, which arise from an FRS17 end of year valuation and from updating the latest actuarial valuations to reflect conditions at the balance sheet date, are taken to the statement of group total recognised gains and losses for the period.

Stocks

Stocks are stated at the lower of cost and net realisable value. In the case of the stock of goods for resale, cost is determined on a first in first out basis and includes transport and handling costs. Provision is made where necessary for obsolete, slow moving and defective stocks.

Current taxation

Provision at the applicable rate is made for corporation tax payable on profits for the year, as adjusted for tax purposes.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not been reversed at the balance sheet date. Timing differences are differences between the taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is treated as recoverable and therefore recognised only when it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that are proposed to be enacted in law.

Deferred tax is measured on a non-discounted basis.

Cash flow statement

Cash flows are defined as increases or decreases in cash. Cash includes cash in hand and deposits with banks repayable on demand. Deposits are repayable on demand if they are in practice available within twenty-four hours. Liquid resources, for cash flow purposes, are classified as deposits with banks which are repayable after more than one day.

2 Segmental reporting

Gibtelecom's sole activity is the provision of various telecommunications and related services in Gibraltar and accordingly a segmental analysis has not been provided. The table below shows how Gibtelecom's turnover has been derived split by the main areas of the business.

	2011 £	2010 £
Wireline	7,740,007	8,148,139
Wireless	10,857,821	10,075,646
Internet	4,085,572	3,650,759
Leased circuits	10,609,415	8,991,410
Other	3,325,087	2,559,736
	36,617,902	33,425,690

Up until 31 December 2010, a separate audited Accounting Separation Report (ASR) for the fixed line and mobile business was prepared on an annual basis. The Gibraltar Regulatory Authority (GRA) now requires that this report be submitted every three years.

This Gibtelecom report analyses the business into distinct regulated telecommunications activities as required by the GRA under the provisions of the Gibraltar Communications Act 2006.

Notes to the financial statements for the year ended 31 December 2011 continued

3 Staff costs

	2011 £	2010 £
Wages and salaries	6,502,382	5,935,580
Social security costs	262,346	239,440
Pension costs	1,032,308	1,043,180
	7,797,036	7,218,200

Pension costs are calculated by the actuary in line with FRS (Financial Reporting Standard) 17 – 'Retirement benefits' to show the calculated current and past service costs of the schemes. These totalled £1,073,000 in 2011 (2010: £1,143,000). The difference to the figures reported above reflects other pension costs/credits incurred/received by Gibtelecom which are not included within the FRS 17 assessments by the actuaries.

4 Employee information

The number of persons employed by Gibtelecom during the year is set out below.

	Actual as at 31 December		Average for the year	
	2011 No	2010 No	2011 No	2010 No
By Directorate				
Chief Executive Officer: International Business Director, Human Resources, Head Office and Corporate Affairs	12	8	11	7
Business Director: Finance, Customer Services, Marketing and Business Development, Regulatory and Network Operations Centre	57	29	57	27
Operations Director: Internet, Resources and Administration, External Plant and Networks Infrastructure	53	46	51	44
Technical Director: Information Technology, Wireline and Wireless	19	19	19	18
Resources Director: External Plant, Human Resources, Resources and Administration and Fixed Network Planning	-	39	-	41
Apprentices	16	13	14	9
Total	157	154	152	146

4 Employee information – continued

Following the early retirement of the Resources Director on 31 May 2011, some changes were made to Directorate responsibilities. With effect from 1 June 2011, the Operations Director assumed Directorate responsibility for External Plant, Networks Infrastructure and Resources & Administration Departments. A consequential change was that the Business Director took over Directorate responsibility for the Network Operations Centre whilst Human Resources reports directly to the Chief Executive Officer. The Company appointed a new Director, International Business, in September 2011 to lead the marketing of the Company's investment in the Europe India Gateway (EIG) submarine cable.

The comparatives have been restated to reflect these changes and achieve consistency with the presentation of the current year figures.

5 Directors' emoluments

Gibtelecom Directors did not receive emoluments from the Company for their services as Directors during the year (2010: nil). One Director receives emoluments in his capacity as the Chief Executive Officer of the Company and under the provisions of the Companies (Accounts) Act 1999 [schedule 7, paragraph 3] these emoluments are not disclosed.

6 Other operating charges

	2011 £	2010 £
Included in other operating charges are:		
Operating lease charges on rented properties	278,046	346,234

7 Interest payable and similar charges

	2011 £	2010 £
Interest payable on mortgage financing and bank loans	531,132	282,802

8 Tax on profit on ordinary activities

(a) Analysis of (credit)/charge in period

	2011 £	2010 £
Current tax		
Gibraltar corporation tax on profit for the period	(1,838,904)	(2,072,871)
Deferred tax		
Total deferred tax (see note 16) – capital allowances	695,280	(809,274)
Total deferred tax (see note 16) – tax losses	-	(260,838)
Tax on profit on ordinary activities	(1,143,624)	(3,142,983)

Notes to the financial statements for the year ended 31 December 2011 continued

8 Tax on profit on ordinary activities - continued

(b) Factors affecting tax charge/(credit) for the period

The standard rate of Gibraltar corporation tax is 10% however utility and energy providers and companies that enjoy a dominant position are required to pay at a higher rate of 20%.

	2011 £	2010 £
Profit on ordinary activities before taxation	10,493,566	8,753,139
Notional corporation tax at 20% (2010: 20%)	2,098,713	1,750,628
Effects of:		
Adjustment to tax charge in respect of prior year period (i)	-	(442,641)
Permanent timing differences (ii)	(6,331)	(4,275)
Pension cost contribution in excess of net pension cost charge (iii)	(158,200)	(114,000)
Capital allowances in excess of depreciation (iv)	205,731	(305,386)
Effect of cessation rules (v)	-	(2,805,912)
Development aid relief (vi)	-	(151,285)
Losses brought forward	(301,009)	-
Gibraltar corporation tax on profit for the period	1,838,904	(2,072,871)

(i) Adjustment to tax charge in respect of prior year period

This adjustment relates to an over accrual for taxation in respect of the financial year ended 31 December 2008. Corporation tax payable had originally been calculated at 27% of assessable income, however the rate of taxation was reduced to 22% after the financial statements had been issued, resulting in a carried forward over-accrual of £442,641. This amount has been released during the current year.

(ii) Permanent timing differences

The tax rules in Gibraltar result in certain types of income and expenses not being taken into account for Corporation Tax purposes. These are permanent timing differences as they will not reverse at a future date.

(iii) Pension cost contribution in excess of net pension cost charge

This tax charge relates to an adjustment made in respect of taxation on pension contributions, which are adjusted annually in line with the FRS 17 actuarial valuations.

(iv) Capital allowances in excess of depreciation

The capital allowances in excess of depreciation represents the difference between the writing down allowances taken by the Company for tax purposes and the depreciation reflected in the financial statements under FRS 15, Tangible Fixed Assets.

(v) Effect of cessation rules and development aid relief

Due to the transition from assessment on a prior year to actual basis under the new Income Tax Act 2011, cessation rules in accordance with the transitional provisions of Schedule 9 Part II Section 2 of the Act have been applied. Under these rules the 2010/2011 and 2011/2012 tax years for the Company have been reassessed and as a result the Company benefits from a lower amount of taxation payable than the original amount accrued in Giblecom's financial statements for the years ending 31 December 2008 and 31 December 2009. The effect of this is a credit to the amount of tax payable of £2,805,912 for the year ended 31 December 2011.

Furthermore, the Income Tax Office granted Development aid expenditure in respect of the 3G/pre-paid mobile system during the year ended 31 December 2010, all of which was utilised in the calculation of the corporation tax charge for the prior year.

(c) Reconciliation between profit on ordinary activities before taxation and the profit for the financial year

A reconciliation between the profit on ordinary activities before taxation and the profit for the financial year is presented below. This reconciliation has been prepared to provide the users of the financial statements with additional supplementary information.

	2011 £	2010 £
Profit on ordinary activities before taxation	10,493,566	8,753,139
Notional corporation tax at 20% (2010: 20%)	2,098,713	1,750,628
Effects of:		
Adjustment to tax charge in respect of prior year period	-	(442,641)
Permanent timing differences	(6,331)	(4,275)
Pension cost contribution in excess of net pension cost charge	(158,200)	(114,000)
Capital allowances in excess of depreciation	205,731	(305,386)
Effect of cessation rules	-	(2,805,912)
Development aid relief	-	(151,285)
Losses brought forward	(301,009)	-
Gibraltar corporation tax on profit for the period	1,838,904	(2,072,871)
Deferred tax		
Total deferred tax – capital allowances	(695,280)	(809,274)
Total deferred tax – tax losses	-	(260,838)
Tax on profit on ordinary activities	1,143,624	(3,142,983)
Profit for the financial year	9,349,942	11,896,122

9 Dividends

	2011 £	2010 £
Final dividend for 2010 and paid in 2011	2,000,000	-
Interim paid	4,400,000	4,000,000
	6,400,000	4,000,000
Final declared to be paid and recorded in 2012/2011 (i)	2,200,000	2,000,000
	8,600,000	6,000,000

(i) A final dividend of £2,200,000 for the financial year 2011 was approved at the Board of Directors meeting held on 1 March 2012, to be effected on 14 March 2012. Following the requirements of Financial Reporting Standard 21 "Post balance sheet events" this dividend will be reflected in the 2012 financial statements.

Notes to the financial statements for the year ended 31 December 2011 continued

10 Tangible fixed assets

Group and Company

	Assets under construction £	Freehold land and building £	Leasehold land and building £	Plant and equipment £	Furniture, office equipment and software £	Motor vehicles £	Total £
Cost							
At 1 January 2011	16,752,653	5,113,519	5,414,004	41,902,018	1,348,149	493,754	71,024,097
Additions	5,363,251	-	-	2,543,591	301,107	147,885	8,355,834
Disposals	-	-	-	-	-	(134,526)	(134,526)
At 31 December 2011	22,115,904	5,113,519	5,414,004	44,445,609	1,649,256	507,113	79,245,405
Accumulated depreciation							
At 1 January 2011	-	115,646	220,869	29,760,191	596,770	384,142	31,077,618
Charge for the year	-	95,378	117,862	3,149,025	232,889	86,470	3,681,624
Disposals	-	-	-	-	-	(120,189)	(120,189)
At 31 December 2011	-	211,024	338,731	32,909,216	829,659	350,423	34,639,053
Net book value							
At 31 December 2011	22,115,904	4,902,495	5,075,273	11,536,393	819,597	156,690	44,606,352
At 31 December 2010	16,752,653	4,997,873	5,193,135	12,141,827	751,379	109,612	39,946,479

(i) Assets under construction

Assets under construction represent payments towards the Europe India Gateway (EIG) submarine cable project and towards the construction of a fourth Data Centre at Mount Pleasant.

(ii) Assets pledged as security

Tangible fixed assets with a carrying value of £9,975,065 (2010: £10,191,008) are pledged as security for the borrowings of the Company. Details of the loans are disclosed in Note 14.

(iii) Leasehold land and buildings

Leasehold land and buildings consists of a short-term lease of less than 50 years.

11 Investments included in fixed assets

Company	2011 £	2010 £
At cost, investment in subsidiary		
At 1 January and 31 December	4,000	4,000

The investment consists of a 100% shareholding in the ordinary shares of Gibconnect Limited (Gibconnect), at a cost of £4,000. All the assets, liabilities and any other commitments of the subsidiary company, including the employees were transferred to the parent company (Gibtelecom) on 8 December 2005.

12 Stocks

Group and Company	2011 £	2010 £
Goods for resale	1,087,979	1,076,054

13 Debtors

Group and Company	2011 £	2010 £
Amounts falling due within one year:		
Trade debtors	5,587,796	5,480,980
Other debtors and prepayments	752,050	748,735
Deferred tax asset (see note 16)	260,838	260,838
Corporation tax	-	24,039
	6,600,684	6,514,592
Amounts falling due after more than one year:		
Security deposits	44,788	44,788
	6,645,472	6,559,380

14 Creditors: amounts falling due within one year

	2011 £	Group 2010 £	2011 £	Company 2010 £
Trade creditors	4,091,919	3,215,083	4,091,919	3,215,083
Amounts due to Group undertakings	-	-	4,000	4,000
Bank borrowings	1,853,171	1,671,975	1,853,171	1,671,975
Other creditors	100,096	75,365	100,096	75,365
PAYE and social insurance	56,889	48,633	56,889	48,633
Corporation tax	714,412	-	714,412	-
Accruals and deferred income	2,866,189	2,595,087	2,866,189	2,595,087
	9,682,676	7,606,143	9,686,676	7,610,143

Bank borrowings

Gibtelecom has four loans, one for £4,100,000 relating to the mortgage finance facility of 15/21 John Mackintosh Square, one for the mortgage finance facility of £4,725,000 for the Mount Pleasant property and two loan facilities for £8,000,000 relating to the part funding of the Europe India Gateway (EIG) submarine cable project and the other for £1,300,000 for the Data Centre. The loans carry floating interest rates which are directly linked to the LIBOR (London Interbank Offered Rate).

(i) 15/21 John Mackintosh Square

Gibtelecom's purpose built building centralises many of the Company's various operational units and takes advantage of its close proximity to Gibtelecom's main fixed line and internet technology in the adjoining Haven building and City Hall premises.

The bank loan obtained from The Royal Bank of Scotland International trading as NatWest, was for the replenishment of Gibtelecom's own resources utilised in the purchase and redevelopment of 15/21 John Mackintosh Square. This loan facility of £4,100,000 is for 70% of the total cost and was completed on 23 June 2010. As at 31 December 2011 the balance repayable stood at £3,201,307 (2010: £3,596,896).

The loan is secured by the bank through a first legal charge over the property including all permanent fixtures and fittings. Repayment of the principal is calculated on the basis of a 10 year amortising facility.

(ii) Mount Pleasant

Mount Pleasant, a building which has always been associated with telecommunications in Gibraltar, currently houses some of the Company's operational units and data centres.

The bank loan, secured with Barclays Bank, relates to the purchase of a 49 year lease. The property was previously occupied by Gibtelecom under a 20 year lease which expired on 31 December 2008. This mortgage facility is for 90% of the cost of the lease. As at 31 December 2011 the balance repayable on the mortgage stood at £3,494,167 (2010: £4,060,000).

The loan is secured by a legal charge over the property. Repayment of the principal is being made in 20 quarterly instalments, which commenced three months after the drawdown of the £4,725,000 on 24 November 2008. The repayment instalments will be calculated on the basis of a 10 year amortising facility.

Notes to the financial statements for the year ended 31 December 2011 continued

(iii) Europe India Gateway (EIG) submarine cable

The EIG submarine cable project consortium comprises 16 telecommunications companies, of which Gibtelecom is one. The cable is a 15,000 kilometre system connecting three continents (Europe, Africa and Asia) with 13 sea landings, including Gibraltar. Gibtelecom's investment in the project is c\$30m which equates to c4.3% ownership in the EIG consortium. The Company has funded 60% of the project costs from its own working capital with the remaining 40% being funded by means of a loan of £8,000,000 obtained from The Royal Bank of Scotland International trading as NatWest.

As at 31 December 2011 the balance of the loan outstanding was £7,133,680 (2010: £7,835,596).

The loan is secured by various warranties and covenants. The three key covenants are that during the term of the loan:

- (a) the net tangible assets of Gibtelecom shall not be less than £20,000,000;
- (b) the ratio of EBITA to debt service liability shall not be less than 1:1; and
- (c) the ratio of Net Borrowings to EBITDA shall not be more than 1.5:1

Repayment of the principal is calculated on the basis of a 10 year amortising facility.

(iv) Data Centre Loan

This is the fourth data centre that Gibtelecom have built. They are all inside the Mount Pleasant building. The loan has been taken out for the works and fittings.

The Company has funded 32% of the project costs from its own working capital with the remaining 68% being funded by means of a loan of £1,300,000 obtained from The Royal Bank of Scotland International trading as NatWest.

As at 31 December 2011 the outstanding balance of the loan was £1,179,998 (2010: £nil).

15 Creditors: amounts falling due after more than one year

Group and Company	2011 £	2010 £
Mortgage finances		
15/21 John Mackintosh Square	2,836,606	3,180,900
Mount Pleasant	2,881,014	3,494,168
Bank borrowings		
Europe India Gateway (EIG) submarine cable	6,501,163	7,145,449
Data Centre	937,198	-
	13,155,981	13,820,517

Maturity profile of bank loans

The maturity profile of the carrying amount of the bank loans falling due after more than one year at 31 December was as follows:

Group and Company	2011 £	2010 £
In more than one year but not more than two years	1,885,300	1,671,975
In more than two years but not more than five years	9,377,861	5,025,825
In more than five years	1,892,820	7,122,717
	13,155,981	13,820,517

See note 14 for the carrying amount of the bank loans falling due within one year at 31 December 2011.

16 Provisions for liabilities and charges

Deferred tax provision

Group and Company	2011	2010
	£	£
At 1 January	1,139,442	1,948,716
Credited to the profit and loss account	(695,280)	(809,274)
At 31 December	444,162	1,139,442

Deferred tax asset

Group and Company	2011	2010
	£	£
At 1 January	260,838	-
Credited to the profit and loss account	-	260,838
At 31 December (Note 13)	260,838	260,838

	2011	Group	2010	2011	Company	2010
	£		£	£		£
Provision for deferred tax comprises:						
Accelerated capital allowances	444,162		1,139,442	444,162		1,139,442
Other timing differences	-		(260,838)	-		(260,838)
Deferred tax provision excluding that relating to pension liability	444,162		878,604	444,162		878,604
Deferred tax asset on pension liability (Note 23)	(1,357,200)		(1,152,600)	(1,357,200)		(1,152,600)
Total provision for deferred tax	(913,038)		(273,996)	(913,038)		(273,996)
The movement on deferred tax is as follows:						
Amount released to profit and loss (Note 8)	(695,280)		(809,274)	(695,280)		(809,274)
Amount released to profit and loss (Note 8)	-		(260,838)	-		(260,838)
Amount (credited)/debited to statement of group total recognised gains and losses	(204,600)		595,300	(204,600)		595,300
	(899,880)		474,812	(899,880)		474,812

17 Called up share capital

Group and Company	2011	2010
	£	£
Authorised, issued and fully paid		
7,500 A ordinary shares of £1 each	7,500	7,500
7,500 B ordinary shares of £1 each	7,500	7,500
	15,000	15,000

Class A and B shares carry equal rights in all respects, other than the Government of Gibraltar having restrictions placed on the sale of its shareholding under the terms of the extant Joint Venture Agreement. Following the sale of Verizon Communications, 50 per cent Class B shareholding to Telekom Slovenije D.D. in April 2007, the shareholders have entered discussions over a new Joint Venture Agreement. The Articles of Association also provide for separate voting rights over the appointment of Directors.

18 Share premium account

Group and Company	2011	2010
	£	£
Share premium	14,985,000	14,985,000

The share premium account represents a premium of £999 per share paid up on the share capital of 7,500 Class A ordinary shares and 7,500 Class B ordinary shares.

Notes to the financial statements for the year ended 31 December 2011 continued

19 Profit and loss account

	2011 £	2010 £
Group and Company		
At 1 January	13,044,348	4,131,526
Profit for the financial year (i)	9,349,942	11,896,122
Dividends (Note 9)	(6,400,000)	(4,000,000)
Actuarial (loss)/gain on pension schemes (Note 23)	(1,814,000)	1,612,000
Movement on deferred tax relating to pension schemes (Note 23)	204,600	(595,300)
At 31 December	14,384,890	13,044,348

(i) Profit for the year

The introduction of the Gibraltar Income Tax Act had a substantive positive impact in the 2010 profits. The main change impacting on Giblecom's profits was the adjustment in the basis of company taxation from the prior year approach to an actual basis with the consequential effect of cessation rules having to be applied with effect from 31 December 2010 to accommodate this change. This together with other adjustment such as deferred taxation and development aid relief resulted in a positive tax credit for 2010 of £3,142,983, pushing the consolidated profit after tax in 2010 to £11,896,122.

20 Reconciliation of movements in Shareholders' funds

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Profit for the financial year	9,349,942	11,896,122	9,349,942	11,896,122
Dividends	(6,400,000)	(4,000,000)	(6,400,000)	(4,000,000)
	2,949,942	7,896,122	2,949,942	7,896,122
Actuarial (loss)/gain on pension scheme (Note 23)	(1,814,000)	1,612,000	(1,814,000)	1,612,000
Movement on deferred tax relating to pension schemes (Note 16)	204,600	(595,300)	204,600	(595,300)
Net addition to shareholders' funds	1,340,542	8,912,822	1,340,542	8,912,822
Opening shareholders' funds	28,044,348	19,131,526	28,044,348	19,131,526
Closing shareholders' funds	29,384,890	28,044,348	29,384,890	28,044,348

21 Reconciliation of group operating profit to net cash inflow from operating activities

	2011 £	2010 £
Group operating profit	11,182,819	9,331,666
Depreciation charges	3,681,624	4,017,127
Tangible fixed assets adjustments	666,943	-
Gain on sale of assets	30,331	-
Tax adjustments	-	1,094,151
Difference between pension charge and cash contributions	(959,000)	(870,000)
Increase in stocks	(11,925)	(30,231)
(Increase)/decrease in debtors	(86,092)	160,852
Increase/(decrease) in creditors	1,852,166	(966,040)
Decrease in other provisions for liabilities and charges	(695,280)	(809,274)
Net cash flow from operating activities	15,661,586	11,928,251

22 Analysis of net cash, liquid resources and borrowings

Group	2011 £	Cash flow movement £	2010 £
Net cash:			
Bank balances	5,756,706	(1,882,231)	7,638,937
Less: Bank loans (Note 14 & 15)	(15,009,152)	483,340	(15,492,492)
	(9,252,446)	(1,398,891)	(7,853,555)

23 Pension commitments

The Company operates two pension schemes for Gitelecom employees. One for all former GNC employees and any new joiners to Gitelecom (Gibraltar Nynex Communications Limited Staff Pension Scheme) and one for former Gibtel employees (Gibtel Pension Fund) which has since 2002 been closed to new members. Both schemes provide defined retirement benefits based on final pensionable salary. The Company is reviewing the possibility of bringing the pension schemes closer together, possibly through a merger of the Funds.

Actuarial reviews

The Gibraltar Nynex Communications Limited Staff Pension Scheme is a defined benefits pension scheme contracted out to a pension's administrator, Clerical Medical Investment Group Limited. A full actuarial valuation was carried out as at 31 August 2008 by an independent actuary and their report was issued in November 2009. The valuation indicated that the Scheme's obligations in respect of past services liabilities exceeded the value of the Scheme at that date by £2,556,000, with the level of asset cover being 78% at the valuation date. The overall Company's contribution rate was determined to be 31.9% of pensionable salary. As the rate was similar to the current contribution it was decided to continue with the extant employer's rate of 32%.

The Company's total contributions to the Gibraltar Nynex Communications Limited Staff Pension Scheme for 2011 amounted to £1,302,000 (2010: £1,303,000). These contributions include exceptional payments in respect of voluntary separations, amounting in 2011 to £63,000 (2010: £113,000).

The Gibtel Pension Fund is a defined benefits pension scheme. A full valuation as at 31 August 2008 was carried out by Watson Wyatt Limited and their report was issued in November 2009. The value of the past service liabilities exceeded the market value of the assets by £4,510,000 with the level of asset cover being 69% at the valuation date. Consequently, as recommended by the actuary, the Company decided to keep its contributions at 32% of pensionable salaries from 1 January 2009, with additional annual contributions rising to £410,000 a year for ten years, increasing annually at 5%.

The Company's total contributions to the Gibtel Pension Fund for 2011 amounted to £730,000 (2010: £710,000). This includes the additional annual contribution made during the year which as at 31 December 2011 amounted to £452,025 (2010: £ 430,500).

Actuarial valuations as at 31 August 2011 are currently close to completion for both pension schemes.

Financial Reporting Standard 17 'Retirement benefits'

Valuations of both schemes, for the purposes of FRS 17, were carried out at 31 December 2011 by qualified actuaries.

Under FRS 17 rules, all physical payments made during the year, irrespective of the periods they relate to, are fully utilised to reduce the pension liability at the time of payment.

The Directors set the major assumptions as at 31 December 2011, on the basis of actuarial advice, as set out below.

	2011	2010	2009
Rate of increase in salaries	3.2%	3.5%	4.0%
Rate of increase in pensions payment	3.0%	3.0%	3.0%
Discount rate	5.1%	5.6%	5.7%
Inflation assumption	2.7%	3.0%	3.0%
Equities rate of return	7.7%	8.3%	8.5%
Corporate bonds rate of return	5.0%	5.5%	5.7%
UK Government bonds rate of return	2.9%	4.2%	4.5%
Cash and other assets rate of return	2.9%	4.1%	4.5%
Group Pension Contract	4.5%	5.3%	5.4%

Notes to the financial statements for the year ended 31 December 2011 continued

23 Pension commitments - continued

The fair value of the assets in the schemes and the expected rate of return under FRS17 valuation were:

Gibraltar Nynex Communications Limited Staff Pension Scheme					
	Long-term rate expected at 31 December 2011	Long-term rate of return expected at 31 December 2010	Long-term rate of return expected at 31 December 2009	Long-term rate of return expected at 31 December 2008	Long-term rate of return expected at 31 December
Pension Contract	4.5%	5.3%	5.4%	5.3%	6.4%
Other net assets	2.9%	4.1%	4.5%	3.6%	4.5%
	Value at 31 December 2011 £	Value at 31 December 2010 £	Value at 31 December 2009 £	Value at 31 December 2008 £	Value at 31 December 2007 £
Pension Contract	14,376,000	12,737,000	10,183,000	9,332,000	9,079,000
Other net assets	-	-	25,000	27,000	32,000
Market value of assets	14,376,000	12,737,000	10,208,000	9,359,000	9,111,000
Present value of liabilities	(16,362,000)	(15,120,000)	(13,993,000)	(9,219,000)	(8,760,000)
Scheme (deficit)/surplus	(1,986,000)	(2,383,000)	(3,785,000)	140,000	351,000
Related deferred tax asset/(liability)	397,200	476,600	832,700	(37,886)	(94,770)
Net pension (liability)/asset	(1,588,800)	(1,906,400)	(2,952,300)	102,114	256,230

The scheme has a number of purchased annuities in respect of past retirements valued at £4,074,736 as at 31 December 2011 (2010: £3,449,354). These annuities are understood to fully match the relevant liabilities and so have been excluded from both the assets and the liabilities.

Analysis of amount charged to operating profit in respect of defined benefit schemes

	2011 £	2010 £
Current service cost	(780,000)	(830,000)
Past service cost	(63,000)	(113,000)
Total operating charge	(843,000)	(943,000)

Analysis of the amount charged to other finance cost

	2011 £	2010 £
Expected return on pension scheme assets	690,000	577,000
Interest on pension scheme liabilities	(848,000)	(817,000)
Net charge	(158,000)	(240,000)

Analysis of amount recognised in statement of group total recognised gains and losses

	2011 £	2010 £
Actual return less expected return on pension scheme	400,000	1,019,000
Experience losses arising on the pension scheme liabilities	(8,000)	(373,000)
Changes in the assumptions underlying the present value of the pension scheme liabilities	(296,000)	636,000
Actuarial gain recognised in statement of group total recognised gains and losses	96,000	1,282,000

23 Pension commitments - continued

Movement in deficit during the year

	2011 £	2010 £
Deficit in the scheme at the beginning of the year	(2,383,000)	(3,785,000)
Movement:		
Current service cost	(780,000)	(830,000)
Contributions	1,302,000	1,303,000
Past service cost	(63,000)	(113,000)
Other finance cost	(158,000)	(240,000)
Actuarial gain	96,000	1,282,000
Deficit in the scheme at the end of the year	(1,986,000)	(2,383,000)

History of experience gains and losses

	2011 £	2010 £	2009 £
Difference between the actual and expected return on scheme assets:			
Amount	400,000	1,019,000	(98,000)
Percentage of scheme assets	2.8%	8%	(1.0)%
Experience gains and losses on pension scheme liabilities:			
Amount	(8,000)	(373,000)	(535,000)
Percentage of the present value of the scheme liabilities	0.0%	(2.5)%	(3.8)%
Total amount recognised in statement of group total recognised gains and losses:			
Amount	96,000	1,282,000	(3,669,000)
Percentage of the present value of the scheme liabilities	0.6%	8.5%	(26.2)%

Gibtel Pension Fund

	Long-term rate of return expected at 31 December 2011	Long-term rate of return expected at 31 December 2010	Long-term rate of return expected at 31 December 2009	Long-term rate of return expected at 31 December 2008	Long-term rate of return expected at 31 December 2007
Equities	7.7%	8.3%	8.5%	8.4%	8.2%
Corporate bonds	5.0%	5.5%	5.7%	6.3%	5.3%
UK Government bonds	2.9%	4.2%	4.5%	4.0%	-
Cash and other assets	2.9%	4.1%	4.5%	3.6%	4.5%
	Value at 31 December 2011	Value at 31 December 2010	Value at 31 December 2009	Value at 31 December 2008	Value at 31 December 2007
	£	£	£	£	£
Equities	6,192,000	5,899,000	5,120,000	4,850,000	7,050,000
Corporate bonds	2,338,000	2,982,000	2,206,000	1,637,000	1,780,000
UK Government bonds	1,073,000	858,000	984,000	433,000	-
Cash and other assets	1,897,000	1,961,000	2,140,000	1,880,000	1,670,000
Market value of assets	11,500,000	11,700,000	10,450,000	8,800,000	10,500,000
Present value of liabilities	(16,300,000)	(15,080,000)	(14,610,000)	(12,590,000)	(11,740,000)
Scheme (deficit)/surplus	(4,800,000)	(3,380,000)	(4,160,000)	(3,790,000)	(1,240,000)
Related deferred tax asset	960,000	676,000	915,200	1,023,300	334,800
Net pension liability	(3,840,000)	(2,704,000)	(3,244,800)	(2,766,700)	(905,200)

Notes to the financial statements for the year ended 31 December 2011 continued

23 Pension commitments - continued

Analysis of amount charged to operating profit in respect of defined benefit schemes

	2011 £	2010 £
Current service cost	(230,000)	(200,000)
Total operating charge	(230,000)	(200,000)

Analysis of the amount charged to other finance cost

	2011 £	2010 £
Expected return on pension scheme assets	820,000	760,000
Interest on pension scheme liabilities	(830,000)	(820,000)
Net charge	(10,000)	(60,000)

Analysis of amount recognised in statement of group total recognised gains and losses

	2011 £	2010 £
Actual return less expected return on pension scheme	(1,170,000)	210,000
Experience losses arising on pension scheme liabilities	(280,000)	-
Changes in the assumptions underlying the present value of the pension scheme liabilities	(460,000)	120,000
Actuarial (loss)/gain recognised in statement of group total recognised gains and losses	(1,910,000)	330,000

Movement in deficit during the year

	2011 £	2010 £
Deficit in the scheme at the beginning of the year	(3,380,000)	(4,160,000)
Movement:		
Current service cost	(230,000)	(200,000)
Contributions	730,000	710,000
Other finance cost	(10,000)	(60,000)
Actuarial (loss)/gain	(1,910,000)	330,000
Deficit in the scheme at the end of the year	(4,800,000)	(3,380,000)

History of experience gains and losses

	2011 £	2010 £	2009 £
Difference between the actual and expected return on scheme assets:			
Amount	(1,170,000)	210,000	(990,000)
Percentage of scheme assets	(10.2)%	1.8%	(9.5)%
Experience gains on pension scheme liabilities:			
Amount	(280,000)	-	-
Percentage of the present value of the scheme liabilities	(1.7)%	-	-
Total amount recognised in statement of group total recognised gains and losses:			
Amount	(1,910,000)	330,000	(540,000)
Percentage of the present value of the scheme liabilities	(11.7)%	2.2%	(13.0)%

24 Related party transactions

The Directors consider the Government of Gibraltar, by virtue of its 50% interest in the share capital of Gibtelecom, to be a related party.

The Company, at any given time, owes the Government of Gibraltar amounts deducted from its employees' wages and salaries in respect of personal taxation (PAYE) and Social Insurance contributions, together with employer's Social Insurance contributions. These amounts are settled on their due dates.

As at 31 December 2011, the Company owed the Government of Gibraltar amounts in respect of Corporation Tax based on its profits. As a result of the effect of the tax adjustments as disclosed in note 8, the Company had a corporation tax liability of £714,412 (2010: asset £24,039) as at 31 December 2011.

The Company provides some parts of the Government of Gibraltar with some telephony services and equipment in the normal course of business at its published tariffs to the business community and the general public.

The Directors also consider Telekom Slovenije D.D. of Slovenia to be a related party by virtue of its 50% interest in the share capital of Gibtelecom.

Gibtelecom also has an agreement with Mobitel D.D., a subsidiary of Telekom Slovenije D.D. (see note 27), to purchase technical support and services on an arms length commercial basis as and when utilised. Total fees accrued for these services in 2011 amounted to £5,600(2010: £ 3,500).

The amounts of the balances due to and from are shown below.

Group and Company	2011	2010
	£	£
Amounts due to/(from) the Government		
Corporation tax payable (Note 14)	738,451	-
Corporation tax - debtor (Note 13)	(24,039)	(24,039)
PAYE and social insurance (Note 14)	56,889	48,633
	771,301	24,594

As at 31 December 2011, the Company had £310,866 (2010: £355,225) prepaid telecommunication licence fees included in Note 13.

The Company provides some parts of the Government of Gibraltar with some telephony services and equipment in the normal course of business at its published tariffs to the business community and the general public.

25 Capital commitments

At 31 December 2011 the Company had ongoing commitments for capital expenditure of £1,818,100 (2010: £1,152,400). The capital budget for operational projects in 2012 is £4,760,000 (2011: £6,080,000).

The capital commitment for the Europe India Gateway (EIG) submarine cable project is c£0.7 million bringing Gibtelecom's total contribution to the project to a cost of £19.9 million. The system is expected to be fully completed in 2012.

26 Financial commitments

The Company had annual commitments in respect of properties under contractual operating leases expiring as follows:

	2011	2010
	£	£
Within one year		-
Within two to five years	77,200	72,400
After five years	246,900	250,600
	324,100	323,000

27 Ultimate controlling parties

The Directors consider Telekom Slovenije D.D. of Slovenia and the Government of Gibraltar as joint controlling parties by virtue of each holding a 50% interest in the share capital of Gibtelecom.

Who's who @



Business Directorate

Left to right:

Dwayne Lara, Regulatory Manager

Francis Lopez, Business Director

Adrian Ochello, Marketing & Business Development Manager

Allan Asquez, Network Operations Centre Manager

Derek Ghio, Customer Services Manager

Frank Perera, Finance Manager

Corporate/HR

Left to right:

Tim Bristow, Chief Executive Officer

Lesley Louise, Human Resources Manager

Peter Borge, Corporate Affairs Manager



Operations Directorate

Left to right:

Charles Davidson, External Plant Manager,

Robert Matto, Networks Infrastructure Manager

Adrian Moreno, Operations Director

Danny Hook, Internet Manager

Charles Robba, Resources & Administration Manager



International Directorate

Left to right:

International Director, Rab Paramoethyan;

Shaun Zammitt, Marketing Executive;

Lianne Azzopardi, Corporate Affairs

Technical Directorate

Left to right:

Louis Posso, Wireless Manager,

Stephen Perera, Wireline Manager

Xavi Bado, Technical Director

George Gaskin, Information Technology Manager







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