Gibtelecom
Annual Report 2014

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Fabian Picardo Chairman

Tim Bristow Chief Executive Officer

Joe Bossano Director

Dilip Dayaram Tirathdas Director

Albert Mena Director

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15/21 John Mackintosh Square, Gibraltar

Secretary
Francis Brancato
15/21 John Mackintosh Square, Gibraltar

Auditor
Deloitte Limited, Merchant House
22/24 John Mackintosh Square, Gibraltar

FABIAN PICARDO, CHAIRMAN

"Expansion into new markets can only help to secure Gibtelecom's continuing prospects as Gibraltar's main telecommunications player."

I am delighted to be writing this foreword, for the first time, as Gibtelecom's Chairman.

Last year proved to be a transformational one for the Company. In November 2014, I announced Her Majesty's Government of Gibraltar's buy-back of the 50 per cent shareholding that had been held by Telekom Slovenije since 2007, and before that by Verizon and previously Nynex Communications of the USA.

This buy-back, making the Gibraltar Government sole shareholder of the Company, came against the backdrop of the ongoing sale of the Telekom Slovenije Group. The Gibtelecom deal, which was completed in December 2014, enables the Government to influence the way forward on the ownership of the Company, rather than leave the decision on a future strategic partner for Gibtelecom to be driven by others outside Gibraltar.

For Gibtelecom, the shareholding change has had no impact on the operational day-to-day running of the business with this continuing as usual.

I take this opportunity to thank Telekom Slovenije and their departing members of the Gibtelecom Board for their valuable and constructive input over recent years.

During 2014, the Company launched its new SuperSwift broadband service. Reaching download speeds of up to 100Mbps, this new service ensures Gibtelecom and Gibraltar are ahead of the European Union's targets on the availability and speeds of broadband services to the local community. The Company has achieved this step forward through investing heavily in extending the reach of its fibre network by locating more remote technical offices close to consumer's premises, facilitating the delivery of more bandwidth-intensive data products and services. Looking ahead, Gibtelecom is also now well on its way to offering 4G mobile services before 2015 is out and thereby meeting the demand for substantial data downloads on the move.

From an international perspective, Gibtelecom is now a burgeoning small player in the global telecommunications arena. The business has built on its stake and participation in the Europe India Gateway submarine cable consortium, establishing three international points of presence in major cities in Europe and by striking contracts to carry communications traffic for telecoms businesses around the world. This expansion into new markets can only help to secure Gibtelecom's continuing prospects as Gibraltar's main telecommunications player.

The year 2015 is a historic one for the Company, as it marks 25 years since the privatisation of local telephony in Gibraltar and the formation of Gibraltar Nynex Communications (now Gibtelecom). The Company's enduring dedication to investing in people, technologies and infrastructure, in tandem with its devotion to providing top quality services to customers, can only mean a bright future ahead. I am proud to be associated with such a forward-looking enterprise, with committed staff and management.

Fabian Picardo
Chairman

"These developments open the doors to Gibtelecom continuing to expand the business beyond its traditional borders."

2014 proved to be yet another challenging but productive year for Gibtelecom. Despite the impact of increasing regulatory and competitive influences, bound with the ultra-dynamic and fast developing nature of technologies, the Company experienced another solid year with encouraging results.

At the beginning of 2014, Gibtelecom completed the purchase of the Haven building. The building had previously housed the Government's Treasury and other public sector offices, and had originally been built in the 1970s to house the then Gibraltar Government Telephone Department. The building connects to Gibtelecom's relatively new John Mackintosh Square headquarters, which also houses a number of the Company's technical and operational departments, as well as the Customer Services Centre. The purchase will facilitate the expansion of the Company's extant technical facilities in the Haven building and allow the Company to house there, amongst other things, its next generation communications switch that will eventually replace the existing telephone exchange currently located in City Hall.

The Company's new flagship "SuperSwift" service was introduced in stages over the year, with the majority of Gibraltar being able to access broadband download speeds of up to 100Mbps. Although take up of the faster speeds hasn't been as great as anticipated, the "SuperSwift" product ensures Gibtelecom is well placed to provide bandwidth hungry data services into the future. These new speeds were made possible through the extension of fibre optics to a large number of remote offices and nodes throughout Gibraltar, requiring extensive infrastructure works. Through the combination of VDSL2 with G.Vector technology, Gibtelecom can claim to be amongst the first telecoms operators in the world to roll-out such a solution across an entire territory.

During 2014, the Company successfully applied for the allocation of 4G spectrum, and was granted one of the two licenses issued for this wireless technology by the Gibraltar Regulatory Authority (GRA). One of the license conditions is to launch commercial 4G services during the autumn of 2015 and Gibtelecom is well on its way to meeting this milestone. The Company signed a contract with Ericsson, its long-term mobile partners, in February 2015 for the provision of enhanced mobile services and equipment, and various sites required for the installation of new equipment were cleared by Gibraltar's Development and Planning Commission. The Company is aiming to introduce 4G+ services, a newer version of the 4G standard, which would facilitate even higher download speeds for users on the move.

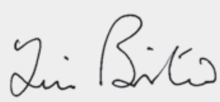
As a small player in the global carrier world, driven in large part by the Company's shareholding in the Europe India Gateway (EIG) submarine cable stretching 15,000 km from London to India, linking three continents and connecting to other subsea cables, Gibtelecom has now established three active points of presence outside Gibraltar - London, Madrid and Marseille. These provide the Company additional route diversification and resilience, together with connectivity worldwide. These developments open the doors to Gibtelecom continuing to expand the business beyond its traditional borders, through contracts to carry traffic for communication companies located as far away as South Africa and Australia amongst other places. To mark the Company's progress as a new global carrier in January 2015, Gibtelecom hosted a reception at the new Information Age exhibition in the Science Museum in London for guests from many international companies, embracing partners, suppliers and customers. The exhibition celebrated 200 years of the evolution of electronic communications and the six networks which changed the world (the telegraph; telephone; radio and TV; satellites; computer networks; and the mobile).

The year also presented its challenges, including a cataclysmic explosion at the local electricity power station on Easter Sunday 2014, which impacted some of Gibtelecom’s data centre business when half of the standby generating sets at the Company’s Mount Pleasant premises was temporarily rendered out of action as a result of a massive power surge. The Company runs over fifty sites around the Rock that are dependent on electricity, and its standby generation facilities have generally worked satisfactorily through a number of electrical power outages pending the construction of the new Gibraltar Electrical Authority generating station.

Another challenge facing the business is the recruitment and retention of skilled communications engineers, particularly in the developing technologies space. This is despite the Company continuing to invest in training and developing its people, as well as commencing a reshaping of the technical areas to ensure the business is better focused to face the fast evolving world of communications. Last year, saw the successful completion of the second intake of Gibtelecom’s communications apprenticeship scheme, launched in 2008, which was celebrated with a graduation reception with the third and final intake being honoured more recently. The apprentices graduated with the Business and Technology Education Council (BTEC) diploma in Professional Competence for IT and Telecoms Professionals. Such development of people is buttressed against the Company’s various other programmes, including specialist professional training at individual and group levels; a new employer-led degree programme; undergraduate work placements; and summer-working opportunities for university students.

Gibtelecom also continues to take a very active and positive role in the local community, supporting various sporting, educational and cultural events, with two of the highlights being the annual Gibraltar International Chess Tournament and the Literary Festival. In May 2014, and for the second time, Gibtelecom hosted the Teleforum for telecom operators of small states whose membership comprises former incumbent communication companies from states which have a population of up to 2 million. This twenty-second meeting of the Teleforum attracted some 70 participants from the telecoms industry, made up from 16 member companies and 14 sponsoring businesses.

The Company is now reaping the benefits of its substantial investments made in infrastructure, technology and the development of its people over recent years. We must continue to face head-on the continuing challenges, typical of an ambitious and outward-looking enterprise working in the dynamic communications sector. I am confident that the stage is set for Gibtelecom to remain the telecommunications company of choice locally, and that alongside this the Company can continue to establish itself as a serious player in the global telecoms arena.



Tim Bristow
Chief Executive Officer

"The Company is now reaping the benefits of its substantial investments made in infrastructure, technology and the development of its people over recent years."

The Directors present their report, business review and audited financial statements for the year ended 31 December 2014 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), whose assets and liabilities had been transferred to the parent company, was struck off having been a non-trading subsidiary following its acquisition by GNC in September 2001. Gibconnect Limited, the former internet service provider subsidiary, remains a nominal non-trading company.

Principal Activities

Gibtelecom is registered in Gibraltar and is authorised under the Gibraltar Communications Act 2006 to provide various communication services. The Company's principal activities are the provision of fixed line, internet broadband, mobile and various business enterprise services, together with the supply of communications equipment in Gibraltar. The Company is also a provider of data centre services and a global communications carrier, through its partial ownership in a major submarine fibre optic cable and having some technical points of presence in Europe.

The share capital of the Company is owned entirely by the Government of Gibraltar, following the buyback of 50% of the shares previously held by Telekom Slovenije in December 2014.

Financial Results

The Company's turnover was fairly stable year on year at c£41.9 million, earned against a background of static prices for many services but with some reduced mobile, internet and business enterprise charges. Through the containment of costs the profitability of the business, the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) margin was c38.2%, producing profits after taxation of £8,054,643 (2013: £8,984,415). The dividends paid in 2014 were £5,900,000 (2013: £5,800,000).

Gibtelecom's core values

MISSION

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 committed to its stakeholders, in Gibraltar and globally. Gibtelecom is recognised as a European business, worthy of being benchmarked.

VALUES

Gibtelecom is focused on its stakeholders by:

- providing an exceptional service to customers and partners at home and abroad
- being aware of the community and the environment
- employing people with the right abilities and positive attitudes
- being responsive to shareholders.

Gibtelecom's strategies

Sustain our customer base by providing a supreme customer experience through investing in technology and infrastructure.

Advance Gibtelecom's status as an international player by continuing to exploit opportunities with other global partners and carriers.

Operating the business efficiently, effectively and ethically.

Gibraltar's telecoms provider of choice

Gibtelecom is the recognised market leader of telecoms services in Gibraltar. The Company has maintained this position in the face of increasing competition from other operators by improving its competitiveness across the different areas of the business.

The fixed line broadband roll-out programme gathered momentum in 2014 and in October, the Company's new ultrafast broadband service, SuperSwift, was launched. By the end of the year over 96% of premises across Gibraltar had been VDSL2 enabled, providing the capability of reaching broadband access speeds of up to 100Mbps and ensuring the Company stays ahead of the European Union "Digital Agenda" objectives for broadband speeds and coverage. The technology used is Fibre-To-The-Node (FTTN) delivery, essentially bringing fibre optic technology within 500m of each customer premises. In line with industry norms, the Company's traditional fixed line voice services continue to decline due to greater use of mobiles and VOIP (Voice Over Internet Protocol) based alternatives.

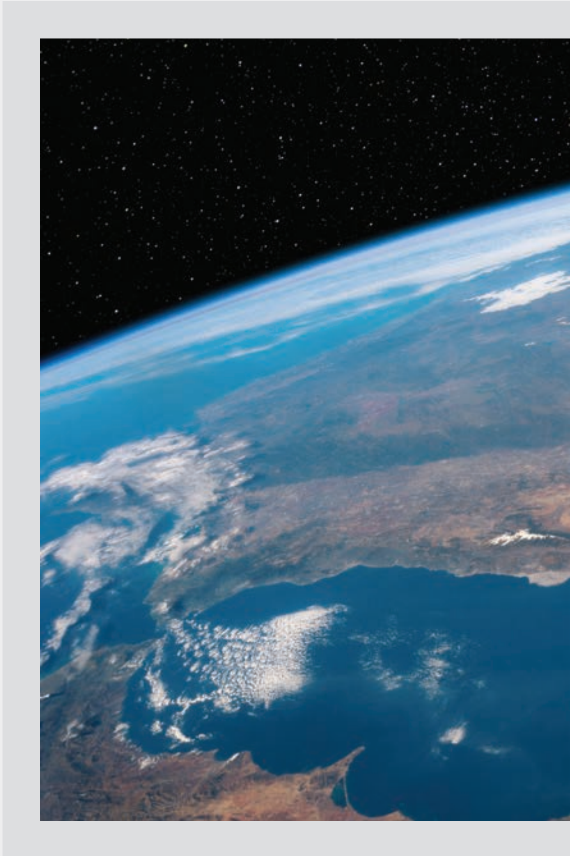
Gibtelecom remains committed to improving the customer experience by delivering high quality services. A number of new pricing and bundling initiatives were introduced during the year across a spectrum of services. From July 2014, Gibtelecom's contract and reload (pre-paid) customers benefitted from price reductions on their mobile calls, SMS and data bundle plans. The reductions formed part of Gibtelecom's continuing commitment to lowering prices across all products and services. Mobile rates whilst roaming within the European Union (EU) were also reduced as part of the EU's roaming regulations (known as the "Eurotariff" rates).

The Company's mobile customer base and revenues (including mobile data) continue to grow, despite competition and the full year effects of the new post-paid bundled plans. The mobile internet boom, however, is reducing call usage growth and impacting SMS revenues as mobile data customers utilise "Over-The-

Top" native applications. Demand for hosting customers' equipment within Gibtelecom data centres also continues to be solid, despite the changing regulatory and fiscal landscape in the e-gaming industry and increasing competition in this area within Gibraltar. As at the turn of the year the Company now has over 85 per cent occupancy of its five commercial data centres, occupying some 700 square metres and catering for nearly 300 racks.

Growing Gibtelecom's status as an international player

Gibtelecom is now securing for itself a niche position in the global telecoms market. A priority has been to grow the business outside Gibraltar by expanding the Company's international presence and exploiting opportunities through partnerships with other global carriers and providers. To this end, Gibtelecom established a Point of Presence (PoP) in Marseille, enabling connectivity to other major cable systems landing there. Together with the breakout at the Europe India Gateway (EIG) submarine cable landing station in Marseille, Gibtelecom is now established in a carrier neutral data centre in this French city, allowing interconnection to Tier 1 providers and mainland carrier links with onward connectivity to major cities around mainland Europe. The Company is also enhancing its land based routes across Spain. These facilities allow Gibtelecom to reroute traffic seamlessly, should a technical glitch develop on the westbound EIG leg to London or a land based route. Gibtelecom's PoP in Marseille (which is considered one of the primary landing stations for submarine cables in Europe) complements the Company's other PoPs in Gibraltar, London and Madrid.



In addition the Company continues to grow the international wholesale and retail business in the face of fierce competition both from existing EIG partners and on alternative cables which also connect Europe to the Middle East and India. Whilst the Company is focused on being commercially and technically flexible and close to existing and potential customers, being a small operator does not provide the ability to 'muscle' reciprocal deals or bundle truly global network solutions into the mix.

The Company continues to participate in international carrier and trade group events including the Mobile World Congress, the International Telecoms Week (ITW) and the World Submarine Cable Conference, amongst others. As part of its strategy to raise its profile outside Gibraltar, the Company sponsors a number of media and high profile events, such as the eGaming Review (EGR) Awards and the Foreign Press Association (FPA) Media Awards held in London in November 2014.

The Company also hosted a reception at the Information Age exhibition in the Science Museum in London in January 2015 which was attended by guests from nearly 100 companies embracing international partners, suppliers and customers. In addition, Gibtelecom hosted the Teleforum for telecom operators of small states in Gibraltar in late May 2014. This meeting of the Teleforum attracted some 70 participants from the telecoms industry, comprising 16 member companies from 15 states and 14 sponsoring businesses.

Continued investment in technology and infrastructure

Keeping pace with the technological innovation is one of the key challenges facing the business. Consequently Gibtelecom continues to invest substantially in new technologies and improve its network infrastructure, with the capability to handle new converged multimedia services.

Throughout 2014, the Company continued to improve its 3G mobile data offering and began preparations for the introduction of 4th Generation Long Term Evolution (4G LTE) services. In April 2014, following the release of the regulator's Decision Notice on the licensing of 4G mobile services and frequency usage, the Company applied and was successfully awarded by the Gibraltar Regulatory Authority (GRA) a 4G spectrum license in

the 800MHz and 2600MHz bands. In February 2015, Gibtelecom and Ericsson signed a contract for the provision of 4G+ mobile services and equipment. This £3.5 million capital investment project will deliver access speeds in excess of 150Mbps and ensure that the Company meets the conditions of the license to launch commercial services within eighteen months of the license award; achieve 70% population coverage at the outset; and attain 95% population coverage within three years.

The replacement of the 2G and 3G mobile core networks has continued apace, together with the programme for enhancing and consolidating radio access network assets by providing 2G, 3G and 4G radio at all available sites around the Rock. To this end, twelve new mobile sites were approved by the Development and Planning Commission (DPC), with some six of them now operational. Additional capacity has been added to all existing sites, resulting in an average 800% increase in performance of the mobile system across Gibraltar. The remaining six sites are being constructed and commissioned as part of 4G (LTE) deployment during 2015.

Gibtelecom also participated in the full upgrade programme of the EIG cable system. The Company's network upgrade portion was successfully tested in October 2014 with delivery of EIG capacity received early in 2015. In addition, the parallel deployment of optical transport network (OTN) technology in the Company's European points of presence (PoPs) will enhance both path and node protection mechanisms resulting in an increase to carrier services availability.

The acquisition of the Haven building by the Company in January 2014 will not only facilitate the expansion of the existing technical facilities in the Haven Building fourth floor but will lead to the total transformation of the building into a state-of-the-art communications complex. The redeveloped building (which received planning approval in November 2014) will house next generation technologies and the necessary resilient technical infrastructure to sustain core operations that are vitally important to the business and Gibraltar as a whole. This move will allow the Company to eventually vacate City Hall and for the bridge to be removed that currently links both buildings.

The Company's new purpose built technology centre at Mount Pleasant has recently been completed. This "own-use" centre is designed to host a multitude of Gibtelecom's services and platforms, with the medium-term plan of also building resiliency to equipment hosted at John Mackintosh Square premises.

A responsible and sustainable business

Gibtelecom aims to create a better future for the business, its stakeholders, the local community and the environment by being a responsible and sustainable operator. The Company is committed to working ethically as a business, investing in the Company's employees, supporting local charities and organisations as well as safeguarding the environment.

Tim Bristow
Chief Executive Officer

Adrian Moreno
Chief Operations Officer

Executive Committee

Rab Paramothayan
Global Business Director

Peter Borge
Customer Operations Director

Jansen Reyes
Technology Director

As in previous years, Gibtelecom continued to support the Gibraltar International Chess Festival (voted in 2014 as the best chess event in the world by the Association of Chess Professionals) with a grant and the technology support that broadcasts the event around the world. Gibtelecom also sponsored and made the difference to some 16 local charities, 23 cultural events and 16 sporting organisations as at the end of the year. Together with HM Government of Gibraltar Ministry for Sports, Culture, Heritage and Youth, the Company sponsored other community events, including the Literary Festival, the Jazz Festival and some international musical events.

Gibtelecom is committed to reducing its carbon footprint, and to this end has a programme in place to reduce its power consumption in part by extending the use of small footprint power-saving PC's at the time of replacement, and deploying less and more power-efficient Company IT servers, aiming for a 25% reduction in their electricity usage over the year. In order to meet the EU carbon emissions target for light commercial vehicles (LCV), all new vehicles acquired as part of the ongoing vehicle replacement programme for 2014 are already emissions compliant.

The Company has in recent years invested substantially in stand-by power generation for its own technology and the data centres hosting business enterprise customers' computer servers. This resilience has worked reasonably well across some 50 Gibtelecom sites throughout the year, other than during one cataclysmic explosion at Gibraltar's main generating station on Easter Sunday 2014. This produced a massive power surge which temporarily rendered out of action some of the Company's data centre's stand-by power, with a few customers having to be compensated for the shortfall in service.

Gibtelecom is committed to reducing its carbon footprint, aiming for a 25% reduction in their electricity usage over the year.

In 2015, the Company celebrated the successful completion of its communications apprenticeship scheme, launched in 2008. Apprentices graduated with the Business and Technology Education Council (BTEC) diploma in Professional Competence for IT and Telecoms Professionals programme and were subsequently employed in different parts of the business. Gibtelecom continues to reshape the business, particularly in the technology areas, where like many industry players we face some recruitment and retention pressures. The Company is endeavouring to meet these challenges with more flexible rewards packages and focused professional training at an individual and group level, together with developing an employer-led degree programme geared at science and communications engineering and encouraging more student work placements.

Directors

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

Tim Bristow, Chief Executive Officer	British	
Dilip Dayaram Tirathdas	British	
Albert Mena	British	from 11/12/2014
Fabian Picardo, Chairman	British	from 11/12/2014
Joe Bossano	British	from 2/3/2015
Joseph Garcia	British	resigned 11/12/2014
Brigita Bohorč	Slovenian	resigned 11/12/2014
Marko Boštjančič	Slovenian	resigned 11/12/2014
Tomaž Seljak	Slovenian	resigned 11/12/2014
Zoran Vehovar	Slovenian	resigned 29/5/2014

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

Statement of directors' responsibilities

The Directors are responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the profit or loss for that period and which comply with the Gibraltar Companies Act, the Companies (Accounts) Act 1999 and the Companies (Consolidated Accounts) Act 1999.

Under that law the Directors have elected to prepare the financial statements in accordance with applicable law in Gibraltar and Gibraltar Accounting Standards ("Gibraltar Generally Accepted Accounting Practice"). In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments 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 enable them to ensure that the financial statements comply with applicable law. 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.

Auditor

The retiring auditor, Deloitte Limited, is eligible for re-appointment.

By order of the Board

Company Secretary
10 July 2015

Report on the financial statements

We have audited the financial statements of Gibtelecom Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31 December 2014 which comprise the consolidated profit and loss account, the statement of group total recognized gains and losses, the Group and the Company balance sheet, the consolidated cash flow statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report, including the opinion, 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.

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 ("Gibraltar Generally Accepted Accounting Practice"). 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 control 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 of the state of the Group and Company's affairs as at 31 December 2014 and of the Group and Company's profit and cash flows for the year then ended;
- have been properly prepared in accordance with Gibraltar Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Companies Act, the Companies (Accounts) Act 1999 and the Companies (Consolidated Accounts) Act 1999.

Opinion on other matter prescribed by the Companies Act

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- if information specified by law regarding directors' remuneration and other transactions is not disclosed; or
- we have not received all the information and explanations we require for our audit.

Stephen J Reyes
(Statutory Auditor)
10 July 2015

for and on behalf of Deloitte Limited
Chartered Accountants & Statutory Auditor
Merchant House, 22/24 John Mackintosh Square, Gibraltar

Deloitte.

ACCOUNTS AND NOTES TO THE FINANCIAL STATEMENT

Consolidated profit and loss account for the year ended 31 December 2014

	Notes	2014 £	2013 £
Turnover	3	**41,978,537**	41,954,964
Operating Expenses			
Payments to other telecommunications administrators		(2,987,506)	(3,155,453)
Other external charges		(5,634,590)	(5,248,282)
Staff costs	4	(8,447,912)	(9,071,516)
Corporate restructuring costs	19	(250,000)	(451,943)
Depreciation	12	(4,701,838)	(4,467,276)
EIG amortisation	14	(1,427,640)	(1,411,432)
Other operating charges	8	(7,463,898)	(7,378,632)
Total operating expenses		**(30,913,384)**	**(31,184,534)**
Group operating profit		**11,065,153**	**10,770,430**
Gain on disposal of tangible fixed assets		5,192	2,000
Interest receivable on bank deposits		7,056	7,367
Interest payable and similar charges	9	(517,073)	(384,643)
Other finance income/(costs)	27	7,000	(78,000)
Impairment losses	7	(981,355)	-
Profit on ordinary activities before taxation		**9,585,973**	**10,317,154**
Tax on profit on ordinary activities	10	(1,531,330)	(1,332,739)
Profit on ordinary activities after taxation		**8,054,643**	**8,984,415**
Dividends	11	(5,900,000)	(5,800,000)
Retained profit for the financial year		**2,154,643**	**3,184,415**

There have been no discontinued activities or acquisitions in the current or preceeding year and there are no recognised gains and losses other than as disclosed above.
The Company's own profits are the same as the Group's profits as the only subsidiary, Gibconnect Limited, is non-trading.

Statement of group total recognised gains and losses for the year ended 31 December 2014

	Notes	2014 £	2013 £
Profit for the financial year		8,054,643	8,984,415
Actual return less expected return on pension scheme assets	27	310,000	853,000
Experience gains arising on the pension scheme liabilities	27	430,000	-
Changes in assumptions underlying the present value of the pension scheme liabilities	27	(5,365,000)	(2,932,000)
Movement in deferred tax relating to pension asset	19	525,600	255,600
Total recognised gains since last annual report		**3,955,243**	**7,161,015**

The notes on pages 27 to 60 form part of these financial statements.

Balance sheet as at 31 December 2014

		Group		Company	
	Notes	**2014** **£**	2013 £	**2014** **£**	2013 £
Fixed assets					
Tangible fixed assets	12	30,706,923	25,535,161	30,706,923	25,535,161
Investments	13	-	-	4,000	4,000
EIG submarine cable	14	14,738,262	15,942,028	14,738,262	15,942,028
		45,445,185	41,477,189	45,449,185	41,481,189
Current assets					
Stocks	15	906,709	1,127,128	906,709	1,127,128
Debtors	16	10,545,818	10,342,633	10,545,818	10,342,633
Cash at bank and in hand	25	4,188,130	6,874,404	4,188,130	6,874,404
		15,640,657	18,344,165	15,640,657	18,344,165
Creditors: amounts falling due within one year	17	(8,631,953)	(12,788,649)	(8,635,953)	(12,792,649)
Net current assets		**7,008,704**	**5,555,516**	**7,004,704**	**5,551,516**
Total assets less current liabilities		**52,453,889**	**47,032,705**	**52,453,889**	**47,032,705**
Creditors: amounts falling due after more than one year	18	(15,140,072)	(9,272,082)	(15,140,072)	(9,272,082)
Provisions for liabilities and charges	19	(1,527,930)	(2,132,379)	(1,527,930)	(2,132,379)
Net assets excluding pension liability		**35,785,887**	**35,628,244**	**35,785,887**	**35,628,244**
Pension liability	27	(10,024,800)	(7,922,400)	(10,024,800)	(7,922,400)
Net assets including pension liability		**25,761,087**	**27,705,844**	**25,761,087**	**27,705,844**
Capital and reserves					
Called up share capital	20	15,000	15,000	15,000	15,000
Share premium account	21	14,985,000	14,985,000	14,985,000	14,985,000
Profit and loss account	22	10,761,087	12,705,844	10,761,087	12,705,844
Equity shareholders' funds	23	**25,761,087**	**27,705,844**	**25,761,087**	**27,705,844**

Approved by the Board on 10 July 2015

Director

Director

The notes on pages 27 to 60 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 December 2014

	Notes	2014 £	2013 £
Net cash flow from operating activities	24	**12,883,076**	**13,328,198**
Returns on investments and servicing of finance			
Interest received		7,056	7,367
Interest paid		(472,125)	(397,276)
Net cash outflow from return on investments and servicing of finance		**(465,069)**	**(389,909)**
Corporation tax paid		**(1,109,372)**	**(1,663,663)**
Capital expenditure and financial investments			
Sale of tangible fixed assets		13,482	2,000
Payments to acquire tangible fixed assets		**(11,092,311)**	**(3,449,067)**
Net cash outflow for capital expenditure and financial investments		**(11,078,829)**	**(3,447,067)**
Equity dividends paid		**(5,900,000)**	**(5,800,000)**
Financing			
Proceeds from bank borrowings		4,600,000	-
Repayment of bank borrowings		(1,616,080)	(2,002,288)
Net cash inflow/(outflow) from financing		**2,983,920**	**(2,002,288)**
(Decrease)/increase in cash		**(2,686,274)**	**25,271**

The notes on pages 27 to 60 form part of these financial statements.

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, which are based on United Kingdom Financial Reporting 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 2014. 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(2) of the Companies (Consolidated Accounts) Act 1999, as Gibconnect Limited is not currently trading and has a nominal value.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

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

Revenue in respect of all communications 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.

Revenue in respect of global wholesale carrier contracts is accounted for in the period in which services are provided.

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 currencies 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 regarding billing which are 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.

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost (which comprises cost of equipment and materials, including freight, charges for installation and building works) less accumulated depreciation and any impairment losses. On disposal of tangible fixed assets, the difference between the sales proceeds and the net book value at the date of disposal is recognised in the profit and loss account. No direct labour costs incurred by Gibtelecom in the installation of the Company's communications infrastructure, network equipment and plant are currently 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 set out below.

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

The freehold land and building relates to the Company's premises at 15/21 John Mackintosh Square. The leasehold buildings held by the Company relate to the 49 year leasehold property at Mount Pleasant and the 150 year leasehold Haven property in John Mackintosh Square.

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

Impairment

Financial assets are subject to impairment review in accordance with Gibraltar Financial Reporting Standard (GFRS) 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 assets with their recoverable amount, which is the higher of net realisable value and value in use. The carrying value of the 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 financial asset in the period in which it occurs. The carrying amount of the asset will only be increased up to the amount that it would have been had the original impairment not occurred.

EIG submarine cable

The Europe India Gateway submarine cable system is recognised as a prepayment in the balance sheet and is amortised equally over the estimated useful life of the cable.

Payments received as a result of onward sales of EIG capacity are recognised as deferred income on the balance sheet and amortised over the length of the agreement or the estimated useful life of the cable, whichever is shorter.

1. Accounting policies (continued)

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 year end under Gibraltar Financial Reporting Standard (GFRS) 17 'Retirement Benefits'.

The pension schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis, using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

The pension cost for the schemes is determined by the actuaries who analyse the current service cost, past service cost, net return on the pension schemes and gains and losses on settlements and curtailments. These costs are included as part of staff costs. Current service cost is the actuarially calculated present value of the benefits earned by the active employees in each period. Past service cost is the actuarially calculated increase in the present value of scheme liabilities related to employee service in prior periods arising in the current period as a result of the retirement benefits. Past services costs are recognised in the profit and loss account on a straight-line basis over the period in which the increase in benefits vest, if the benefits have already vested then these are recognised immediately.

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

The actuarial gains or losses, which arise from an end of year actuarial valuation report on the GFRS 17 disclosure, including updates in the actuarial valuations to reflect conditions at the balance sheet date, are taken to the consolidated statement of total recognised gains and losses for the year.

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. A provision is made where necessary for obsolete, slow moving or defective stocks.

Debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

1. Accounting policies (continued)

Prepayments
Prepayments for goods and services which are to be provided in future years are recognised as prepayments and are measured at cost, with the prepayment amortised over the duration of the service provided. Prepayments are disclosed within debtors in the financial statements with the exception of the non-current portion of the EIG submarine cable prepayment (see note 14).

Creditors
Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provision for corporate restructuring costs
Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to a termination through having a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancies, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Cash flow statement
Cash flows are defined as increases or decreases in cash. The cash includes monies in hand and deposits with banks repayable on demand. Deposits are repayable on demand if they are in practice accessible within 24 hours.

Current taxation
Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred 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 which are recognised in the financial statements.

A net deferred tax asset is treated as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, 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 and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured on a non-discounted basis.

2. Impact of accounting shortfall discovered in 2013

During April 2013, fraudulent accounting entries were discovered to have been posted by a member of the finance team to conceal funds, primarily misappropriated via a staff savings scheme from the Company during the period 2005 to April 2013. The fraudulent accounting entries had the effect of misstating various balance sheet financial statement items. Since the discovery of these entries occurred before the production of the 2012 audited financial statements, these balances were corrected in those statements, including amendments to the 2011 reported balances. The effects of the fraudulent activity from January 2013 until discovery in April 2013 are reflected in the 2013 balances of the financial statements.

The cumulative impact of the shortfall is summarised below.

	Cumulative impact	2014	2013	2012 and prior years
	£	£	£	£
Write off included in "other operating charges"	**(740,632)**	**-**	**(104,511)**	**(636,121)**

3. Segmental reporting

Gibtelecom's sole activity is the provision of various communications and related services. The table below shows how Gibtelecom's turnover has been derived split by the main areas of the business.

Group and Company

	2014	2013
	£	£
Fixed line	7,233,642	7,643,596
Wireless	12,280,764	12,057,616
Internet	5,388,600	5,057,108
National circuits	2,122,828	1,897,865
International circuits	11,575,075	12,091,761
Data Centres	2,338,238	1,945,327
Other	1,039,390	1,261,691
	41,978,537	41,954,964

4. Staff costs

Group and Company

	2014	2013
	£	£
Wages and salaries	7,400,400	7,121,637
Social security costs	269,870	267,607
Pension costs	777,642	1,682,272
	8,447,912	9,071,516

Pension costs are calculated by the actuary in line with GFRS 17 to show the calculated current and past service costs of the schemes. These totalled £1,550,000 in 2014 (2013: £1,646,000). The difference to the figures reported above relates to payments made in respect of voluntary redundancy which have been accumulated in 2013 and 2014. The actuary labels these as past service costs whereas the Company has previously accrued for these expenses within corporate restructuring costs.

5. Employee information

The number of persons employed by Gibtelecom during the year is set out below under the various directorate responsibilities, with the comparative numbers for the prior year restated to reflect how the business is now being structured.

Group and Company

	Actual as at 31 December		Average for the year	
	2014	2013	2014	2013
	£	£	£	£
	No.	No.	No.	No.
By Directorate				
Chief Executive Officer & Chief Operations Officer: Human Resources, Corporate & Legal and Finance	18	17	17	17
Director Technology: Information Technology, Voice Services, Technical Facilities, Broadband & Transport Networks, Mobile Radio, Enterprise Services & Data Centres and Technical Operations	59	57	58	56
Director Customer Operations: External Plant, Buildings & Stores, Customer Services and Network Operations Centre	68	65	66	64
Director Global Business: Marketing and Business Development	11	9	10	10
Apprentices scheme	-	3	2	7
Total	156	151	153	154

6. Directors' emoluments

The Directors of Gibtelecom did not receive emoluments from the Company for their services as directors during the year (2013: £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.

7. Impairment of Haven building

Two valuations of the Haven building have been performed by independent third party surveyors, yielding a highest value of £5,200,000 and it is not considered this would increase pending the redevelopment. The carrying value of the building on a cost basis as at 31 December 2014 was £6,181,355 (2013: £nil), and consequently the building value has been impaired for the difference between these two amounts.

8. Other operating charges

Group and Company

	2014	2013
	£	£
Included in other operating charges are:		
Operating lease charges on rented properties	324,228	347,746
Impact on profit and loss arising from misappropriated funds	-	104,511

9. Interest payable

Group and Company

	2014	2013
	£	£
Interest payable on mortgage financing and bank loans	517,073	384,643

10. Tax on profit on ordinary activities

a) Analysis of charge for the year

Group and Company

	2014	2013
	£	£
Current tax:		
Gibraltar corporation tax on profit for the year	(1,443,684)	(968,439)
Deferred tax:		
Deferred tax movement on capital allowances (see note 19)	(87,646)	(149,379)
Deferred tax movement on corporate restructuring costs	-	(214,921)
Tax on profit on ordinary activities	(1,531,330)	(1,332,739)

b) Factors affecting tax charge for the year

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

Group and Company

	2014	2013
	£	£
Profit on ordinary activities before taxation	9,585,973	10,317,154
Corporation tax at 20% (2013: 20%)	1,917,195	2,063,431
Effects of:		
Permanent timing differences (i)	195,380	(1,797)
Pension cost contribution in excess of net pension cost charge (ii)	(399,400)	(160,200)
Capital allowances in excess of depreciation (iii)	(48,514)	(105,871)
Corporate restructuring costs (iv)	-	(214,921)
Development aid (v)	(220,977)	(612,203)
Gibraltar corporation tax on profit for the year	1,443,684	968,439

10. Tax on profit on ordinary activities (continued)

(i) 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 and will not reverse at a future date.

(ii) 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 GFRS 17 actuarial valuations.

(iii) Capital allowances in excess of depreciation

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

(iv) Corporate restructuring costs

A timing difference no longer exists between the corporate restructuring provision and the expenses incurred for tax purposes, and as such the amount disallowed in 2012 was reversed in 2013.

(v) Development aid

This represents the development aid allowances applied in respect of the works carried out on the development of the John Mackintosh Square premises and the investment in the EIG submarine cable system.

11. Dividends

Share Prices

	Pence per share	2014 £	Pence per share	2013 £
Final dividend paid in respect of the prior year	146.67	2,200,000	146.67	2,200,000
Interim dividend paid in respect of the current year	246.67	3,700,000	240.00	3,600,000
	393.34	5,900,000	386.67	5,800,000

A final dividend of £2,400,000 for the financial year 2014 was approved by the Board of Directors, with the payment effected on 26 March 2015. Following the requirements of GFRS 21 'Post balance sheet events' this dividend will be reflected in the 2015 financial statements.

12. Tangible fixed assets

Group and Company

	Assets under construction/ delivery £	Freehold land and building £	Leasehold land and building £	Plant and equipment £
Cost - At 1 January 2014	2,135,749	5,147,915	5,414,004	50,729,923
Additions	4,703,986	-	6,181,355	5,645,454
Transferred on completion	(6,017,585)	-	-	-
Disposals	-	-	-	(2,990,724)
At 31 December 2014	822,150	5,147,915	11,595,359	53,384,653
Accumulated depreciation - At 1 January 2014	-	413,102	565,431	37,723,435
Charge for the year	-	101,265	111,406	4,108,851
Disposals	-	-	-	(2,990,317)
Impairment losses	-	-	981,355	-
At 31 December 2014	-	514,367	1,658,192	38,841,969
Net book value				
At 31 December 2014	**822,150**	**4,633,548**	**9,937,167**	**14,542,684**
At 31 December 2013	**2,135,749**	**4,734,813**	**4,848,573**	**13,006,488**

	Furniture, office equipment and software £	Motor Vehicles £	Total £
Cost - At 1 January 2014	1,935,424	580,357	65,943,372
Additions	277,281	94,849	16,902,925
Transferred on completion	-	-	(6,017,585)
Disposals	(152,009)	(95,769)	(3,238,502)
At 31 December 2014	2,060,696	579,437	73,590,210
Accumulated depreciation - At 1 January 2014	1,314,961	391,282	40,408,211
Charge for the year	287,579	92,737	4,701,838
Disposals	(152,009)	(65,791)	(3,208,117)
Impairment losses	-	-	981,355
At 31 December 2014	1,450,531	418,228	42,883,287
Net book value			
At 31 December 2014	**610,165**	**161,209**	**30,706,923**
At 31 December 2013	**620,463**	**189,075**	**25,535,161**

12. Tangible fixed assets (continued)

(i) Assets under construction/delivery

Assets under construction/delivery represent payments towards the expansion of the Company's technology facilities at Mount Pleasant; payments towards upgrading the computerised system for customer services; billing and networks management; and payments towards the ongoing upgrade of the mobile system.

(ii) Assets pledged as security

Property with a carrying value of £15,552,070 (2013: £9,583,386) is pledged as security for the borrowings of the Company in respect of premises. Details of the loans are disclosed in note 17.

(iii) Leasehold land and building

Leasehold land and building consists of one short-term lease of less than 50 years on the Mount Pleasant property and one lease of 150 years on the Haven property in John Mackintosh Square.

13. Investments included in fixed assets

Company

	2014	2013
	£	£
At cost, investment in subsidiary		
At 1 January and 31 December	4,000	4,000

14. EIG submarine cable

The Company entered into an agreement with several other parties (the 'consortium') during 2008 to construct a high capacity fibre-optic submarine cable system called the Europe India Gateway (EIG). During 2014, Upgrade one was carried out on the system, making additional capacity available as from the beginning of 2015. The upgrade has resulted in an increase of c300% in available MIUs (Minimum Investment Units) over the initial investment. As at 31 December 2014, the Company has made cumulative payments towards the EIG cable totalling £19,825,948 (2013: £19,602,074), entitling the Company to c4.1% of the EIG's total capacity. The Company determines how it uses its EIG cable capacity, but does not control end to end physical access and the specific fibres through which the data is transmitted. The EIG investment is recognised as a prepayment in the Company's balance sheet, with the prepayment being amortised over the estimated useful life of the cable.

The Company was able to start activating capacity on the EIG cable as from June 2012, albeit one of two Egypt crossings was not completed until 4 December 2013. As such, the asset was transferred out of 'assets under construction' and recognised as a prepayment on 1 June 2012, and amortised assuming a remaining useful life of 13.75 years from this date.

14. EIG submarine cable (continued)

Group and Company

	2014 £	2013 £
At 1 January	17,369,668	18,530,603
Amounts transferred from 'Assets under construction'	223,874	250,497
Charged to the profit and loss account	(1,427,640)	(1,411,432)
At 31 December	16,165,902	17,369,668

As the EIG cable will be amortised over a period of 13.75 years (this being the remaining expected minimum useful life of the cable when the capacity was activated), the prepayment is split in the balance sheet between fixed assets and current assets as set out below.

	2014 £	2013 £
EIG submarine cable		
Fixed assets	14,738,262	15,942,028
Current assets	1,427,640	1,427,640
	16,165,902	17,369,668

15. Stocks

Group and Company

	2014	2013
	£	£
Goods for resale or consumption	906,709	1,127,128

16. Debtors

Group and Company

	2014	2013
	£	£
Amounts falling due within one year:		
Trade debtors	7,483,646	7,585,050
Other debtors and prepayments	1,083,631	780,021
Corporation tax	501,610	505,134
EIG submarine cable (see note 14)	1,427,640	1,427,640
	10,496,527	10,297,845
Amounts falling due after more than one year (excluding EIG submarine cable)		
Security deposits	49,291	44,788
	10,545,818	10,342,633

17. Creditors: amounts falling due within one year

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Trade creditors	2,606,670	3,483,035	2,606,670	3,483,035
Amounts due to Group undertakings	-	-	4,000	4,000
Bank borrowings	1,603,467	1,825,865	1,603,467	1,825,865
Other creditors	104,474	59,525	104,474	59,525
PAYE and social insurance	170,294	151,582	170,294	151,582
Corporation tax	330,787	-	330,787	-
Accruals and deferred income	3,816,261	7,268,642	3,816,261	7,268,642
	8,631,953	12,788,649	8,635,953	12,792,649

Accruals and deferred income above previously included all EIG submarine cable deferred income, whereas £2,661,672 has been reclassified as at 31 December 2014 as falling due after more than one year (note 18).

17. Creditors: amounts falling due within one year (continued)

Bank borrowings

Gibtelecom has five loan facilities in place, one for £3,064,000 relating to the mortgage finance facility of 15/21 John Mackintosh Square; one for £2,362,500 relating to the mortgage finance facility of the Mount Pleasant property; one for £8,000,000 relating to the part funding of the EIG submarine cable project; one for £1,300,000 relating to a Company data centre; and one for £3,600,000 in respect of the Haven building located in John Mackintosh Square. The loans carry floating interest rates which are directly linked to the London Interbank Offered Rate (LIBOR).

(i) 15/21 John Mackintosh Square

Gibtelecom's purpose built headquarters building brings together 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 and connecting Haven building and City Hall premises.

The bank loan obtained from The Royal Bank of Scotland International Limited, trading as NatWest, was for the replenishment of Gibtelecom's own resources utilised in the purchase and redevelopment of 15/21 John Mackintosh Square. The original loan facility of £4,100,000 was taken out in June 2010 and was for 70% of the total cost. In September 2014, when the outstanding balance stood at £2,064,000, an additional amount of £1,000,000 was added to the loan changing the total borrowing facility to £3,064,000. Terms of the new loan includes a 12 month capital repayment holiday with repayment based over a 10 year amortisation period. This is with a review on year five, whereby the balance due on the loan can either be repaid at that time or the loan can be renewed for a further five years. As at 31 December 2014 the balance repayable stood at £3,064,000 (2013: £2,387,483).

The loan is secured by the bank through a first legal charge over the John Mackintosh Square property, including all permanent fixtures and fittings. Repayment of the principal is based on the basis of a 10 year amortising facility, with the first instalment due 15 months after the date on which the loan was drawn (September 2014).

(ii) Mount Pleasant

Mount Pleasant, a building which has always been associated with telecommunications in Gibraltar, currently houses the Company's Network Operations Centre, data centres and new technology centre, together with some training and other office facilities.

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 and was originally for a "five plus five bullet" mortgage amortised over 10 years. The first five year period matured in November 2013 and the Company entered into a new extended mortgage agreement for a further five years. As at 31 December 2014 the balance repayable on the mortgage stood at £2,126,250 (2013: £2,362,500).

The loan is secured by a legal charge over the Mount Pleasant property. Repayment of the principal commenced three months after the drawdown of the loan in November 2008. The repayment instalments are calculated on the basis of a 10 year amortising facility.

(iii) EIG submarine cable system

The EIG submarine cable consortium comprises 16 telecommunications companies, including Gibtelecom. The cable is a 15,000 kilometre system connecting 3 continents (Europe, Africa and Asia) with 13 sea landings, including Gibraltar. Gibtelecom's investment in the project is c$31.6m which currently equates to a c4.1% 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 Limited, trading as NatWest. This loan was fully drawn down by December 2010. As at 31 December 2014 the balance of the loan outstanding was £4,877,502 (2013: £5,669,558).

17. Creditors: amounts falling due within one year (continued)

(iii) EIG submarine cable system (continued)

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 centres

This loan was for the fourth and fifth data centres for hosting customer's equipment that Gibtelecom has constructed within its Mount Pleasant premises. The loan was used for carrying out the required works and fully fitting out the centres.

The Company funded 32% of the project costs from its own working capital. The remaining 68% was funded by means of a loan of £1,300,000 obtained from The Royal Bank of Scotland International Limited, trading as NatWest in June 2011.

As at 31 December 2014, the outstanding balance of the loan was £414,115 (2013: £678,406).

(v) Haven building

The Haven building was built in 1972 and was originally planned to house the then Gibraltar Government Telephone Department. Gibtelecom and its predecessors have occupied the fourth floor of this building since inception, initially housing the Crossbar telephone exchange and later the Main Distribution Frame (MDF) and some of the Company's technology centres housing internet, fixed and mobile equipment.

This building is located adjacent to Gibtelecom's headquarters at 15/21 John Mackintosh Square, from which the fourth floor can be accessed. Similarly there is a footbridge connecting the Haven building to the top floor of the City Hall which is also occupied by Gibtelecom. The expansion of Gibtelecom's technical facilities in the Haven building will allow the Company to house, amongst other things, its next generation communications switch that will eventually replace the existing telephone exchange which is currently housed in the City Hall. Gibtelecom would eventually decant from the top floor of the City Hall enabling that building's integrity and heritage to be fully restored.

Gibtelecom reached an agreement with HM Government of Gibraltar during 2012 for the purchase of the Haven building in John Mackintosh Square for £5,800,000. A loan facility agreement for £3,600,000 was agreed with The Royal Bank of Scotland International Limited, trading as NatWest in December 2012. Both the purchase and the loan agreement were finalised on 24 January 2014. As at 31 December 2014 the balance repayable on the mortgage stood at £3,600,000 (2013: £nil).

The loan is secured by a legal charge over the Haven property. Repayment of the principal was due to commence 12 months after the drawdown of the loan took place in January 2014, but the capital repayment moratorium has subsequently been extended to 28 February 2016 (note 32).

18. Creditors: amounts falling due after more than one year

Group and Company

	2014	2013
	£	£
Mortgage finances		
15/21 John Mackintosh Square	2,987,400	1,961,083
Mount Pleasant	1,653,900	2,008,125
Haven building	3,600,000	-
Bank borrowings		
EIG submarine cable system	4,096,700	4,888,758
Data centres	140,400	414,116
	12,478,400	**9,272,082**
Accruals and deferred income		
EIG deferred revenue	2,661,672	-
	15,140,072	**9,272,082**

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 2014 was as follows:

Group and Company

	2014	2013
	£	£
In more than one year but not more than two years	2,060,000	1,943,990
In more than two years but not more than five years	5,523,100	6,343,334
In more than five years	4,895,300	984,758
	12,478,400	9,272,082

See note 17 for the carrying amount of bank loans falling due within one year at 31 December 2014.

19. Provisions for liabilities and charges

Group and Company

	Corporate restructuring costs (i)	Deferred tax provision (ii)	Total
	£	£	£
At 1 January 2014	(957,690)	(1,174,689)	(2,132,379)
Payments made during the year	942,095	-	942,095
Charged to the profit and loss account	(250,000)	(87,646)	(337,646)
At 31 December 2014	(265,595)	(1,262,335)	(1,527,930)

(i) Corporate restructuring costs

The Company has in place a corporate restructuring programme that offers employees a voluntary separation package. As at 31 December 2014, the restructuring costs payable under this programme are estimated to be £265,595 (2013: £957,690), have been fully provided for and are expected to be utilised by 31 December 2015.

In total, as at 31 December 2014, some 47 employees have left Gibtelecom since 2003 under the Company's various voluntary separation schemes, with one further member of staff due to leave in 2015.

(ii) Deferred tax provision

Group and Company

	2014	2013
	£	£
At 1 January	(1,174,689)	(810,389)
Charged to the profit and loss account	(87,646)	(364,300)
At 31 December	(1,262,335)	(1,174,689)

Deferred tax is provided as follows:

Group and Company

	2014	2013
	£	£
Accelerated capital allowances	(1,262,335)	(1,174,689)
Deferred tax provision excluding that relating to pension liability	(1,262,335)	(1,174,689)
Deferred tax asset on pension liability (note 27)	2,506,200	1,980,600
Total provision for deferred tax	1,243,865	805,911

20. Called up share capital

Group and Company

	2014	2013
	£	£
Authorised, issued and fully paid		
7,500 ordinary Class A shares of £1 each	7,500	7,500
7,500 ordinary Class B shares of £1 each	7,500	7,500
	15,000	15,000

21. Share premium account

Group and Company

	2014	2013
	£	£
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.

22. Profit and loss account

Group and Company

	2014	2013
	£	£
At 1 January	12,705,844	11,344,829
Profit for the financial year	8,054,643	8,984,415
Dividends (note 11)	(5,900,000)	(5,800,000)
Actuarial loss on pension schemes (note 27)	(4,625,000)	(2,079,000)
Movement on deferred tax relating to pension schemes (note 27)	525,600	255,600
At 31 December	10,761,087	12,705,844

23. Reconciliation of movements in shareholders' funds

Group and Company

	2014	2013
	£	£
Profit for the financial year	8,054,643	8,984,415
Dividends	(5,900,000)	(5,800,000)
Retained profit for the financial year	2,154,643	3,184,415
Actuarial loss on pension scheme (note 27)	(4,625,000)	(2,079,000)
Movement on deferred tax relating to pension schemes (note 27)	525,600	255,600
Net (decrease)/increase in shareholders' funds	(1,944,757)	1,361,015
Opening shareholders' funds	27,705,844	26,344,829
Closing shareholders' funds	25,761,087	27,705,844

24. Reconciliation of group operating profit to net cash flow from operating activities

Group and Company

	2014	2013
	£	£
Group operating profit	11,065,153	10,770,430
Depreciation and amortisation charges	6,129,478	5,878,708
Difference between pension charge and cash contributions	(1,989,886)	(879,116)
Decrease/(increase) in stocks	220,419	(37,645)
Increase in debtors	(201,631)	(1,111,367)
Decrease in creditors	(1,648,362)	(508,941)
Decrease in other provisions for liabilities and charges	(692,095)	(783,871)
Net cash flow from operating activities	12,883,076	13,328,198

25. Analysis of net cash, liquid resources and borrowings

Group and Company

	2014	Cash flow movement	2013
	£	£	£
Net cash:	4,188,130	(2,686,274)	6,874,404
Less: bank loans (notes 17 and 18)	(14,081,867)	(2,983,920)	(11,097,947)
	(9,893,737)	(5,670,194)	(4,223,543)

26. Reconciliation of net cash flow to movement in net funds

Group and Company

		2014	2013
	Notes	£	£
Movement in net funds	25	(2,686,274)	25,271
Movement in borrowings	25	(2,983,920)	2,002,288
Net funds at 1 January	25	(4,223,543)	(6,251,102)
Net funds at 31 December	25	(9,893,737)	(4,223,543)

27. Pension commitments

The Company operates two pension schemes for Gibtelecom employees. One for most new joiners to Gibtelecom and any former GNC employees (Gibraltar Nynex Communications Limited Staff Pension Scheme) and the other 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 two pension schemes closer together, possibly through a merger of the funds.

The normal retirement age of the Company is 65 years of age, effective from 1 June 2011 following a change in the two pension schemes' rules. However, employed members in both of the Company's pensions schemes prior to 1 June 2011 can elect to retain the previous normal retirement age of 60 years.

Actuarial reviews

The Gibraltar Nynex Communications Limited Staff Pension Scheme is a defined benefit pension scheme contracted out to a pensions provider, Clerical Medical Investment Group Limited. The last full actuarial valuation was carried out as at 1 August 2011 by an independent actuary and their report was presented to the Board of Directors in July 2012. This valuation indicated that the Scheme's obligations in respect of past service liabilities exceeded the value of the Scheme at that date by £4,430,500, with the level of asset cover being 76% at the valuation date. The overall Company's contribution rate was determined to be 32% of pensionable salary with additional annual contributions of £460,000 a year for the next ten years, to cover the remaining shortfall for past service liabilities.

27. Pension commitments (continued)

Actuarial reviews (continued)

The Company's total contributions to the Gibraltar Nynex Communications Limited Staff Pension Scheme for 2014 amounted to £2,760,000 (2013: £1,665,000). A payment of £613,300 was made in 2014 but actually related to an invoice for the period August to December 2013. The contributions also include the additional annual contribution made during the year of £460,000 (2013: £460,000) and exceptional payments effected in respect of voluntary separations, amounting in 2014 to £288,630 (2013: £436,200).

The Gibtel Pension Fund is also a defined benefit pension scheme. The last full valuation as at 1 August 2011 was carried out by an independent actuary and their report was presented to the Board of Directors in July 2012. The value of the past service liabilities exceeded the market value of the assets by £4,490,000, with the level of asset cover being 73% at the valuation date. The Company decided to keep its contributions at 32% of pensionable salaries from 1 January 2012, with the additional annual contributions rising to £474,626 a year for eight years, increasing annually at 5% as recommended by the actuary.

The Company's total contributions to the Gibtel Pension Fund for 2014 amounted to £780,000 (2013: £860,000). This includes the additional annual contribution made during the year which amounted to £523,275 (2013: £498,357). Exceptional payments in respect of voluntary separations were nil in 2014 (2013: £54,500).

Actuarial valuations as at 31 August 2014 are currently close to completion for both schemes.

Financial Reporting Standard (FRS) 17 'Retirement benefits'

Valuations of both schemes, for the purposes of FRS 17 (which is the same as Gibraltar Financial Reporting Standard 17), were carried out at 31 December 2014 by qualified actuaries.

Under GFRS 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 2014, on the basis of actuarial advice, as set out below. With respect to the return on investments GFRS102 "The Financial Reporting Standard" now requires the discount rate to be applied to the rate of return on all asset classes.

	2014	2013	2012
	%	%	%
Rate of increase in salaries	3.0	3.4	3.1
Rate of increase in pensions payment	3.0	3.0	3.0
Discount rate	3.7	4.5	4.6
Inflation assumption	2.6	2.9	2.6
Equities rate of return	3.7	7.2	7.2
Corporate bonds and fixed income rate of return	3.7	4.5	4.6
UK Government bonds rate of return	3.7	3.6	3.0
Cash and other assets rate of return	3.7	3.1	2.4
Group Pension Contract rate of return	3.7	5.5	5.3

27. Pension commitments (continued)

The fair value of the assets in the schemes and the expected rate of return under GFRS 17 valuation were:

Gibraltar Nynex Communications Limited Staff Pension Scheme

	Long-term rate of return expected at 31 December 2014	Long-term rate of return expected at 31 December 2013	Long-term rate of return expected at 31 December 2012	Long-term rate of return expected at 31 December 2011	Long-term rate of return expected at 31 December 2010
Pension Contract	**3.7%**	**5.5%**	**5.3%**	**4.5%**	**5.3%**
	Value at 31 December 2014	**Value at 31 December 2013**	**Value at 31 December 2012**	**Value at 31 December 2011**	**Value at 31 December 2010**
	£	**£**	**£**	**£**	**£**
Pension Contract	20,187,000	19,041,000	17,077,000	14,376,000	12,737,000
Market value of assets	20,187,000	19,041,000	17,077,000	14,376,000	12,737,000
Present value of liabilities	(25,218,000)	(23,324,000)	(19,612,000)	(16,362,000)	(15,120,000)
Scheme deficit	(5,031,000)	(4,283,000)	(2,535,000)	(1,986,000)	(2,383,000)
Related deferred tax asset	1,006,200	856,600	507,000	397,200	476,600
Net pension liability	(4,024,800)	(3,426,400)	(2,028,000)	(1,588,800)	(1,906,400)

The scheme has a number of purchased annuities in respect of past retirements valued at £7,289,299 as at 31 December 2014 (2013: £6,270,206). 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

	2014	2013
	£	£
Current service cost	(1,001,000)	(950,000)
Past service cost	(289,000)	(436,000)
	(1,290,000)	(1,386,000)

27. Pension commitments (continued)

Analysis of the amount charged to other finance income

	2014	2013
	£	£
Expected return on pension scheme assets	1,037,000	928,000
Interest cost on pension scheme liabilities	(1,010,000)	(916,000)
	27,000	12,000

Analysis of the amount recognised in consolidated statement of total recognised gains and losses

	2014	2013
	£	£
Actual return less expected return on pension scheme assets	470,000	163,000
Changes in the assumptions underlying the present value of the pension scheme liabilities	(2,715,000)	(2,202,000)
Actuarial loss recognised in consolidated statement of total recognised gains and losses	(2,245,000)	(2,039,000)

Movement in deficit during the year

	2014	2013
	£	£
Deficit in the scheme at the beginning of the year	(4,283,000)	(2,535,000)
Movement:		
Current service cost	(1,001,000)	(950,000)
Contributions	2,760,000	1,665,000
Past service cost	(289,000)	(436,000)
Other finance income	27,000	12,000
Actuarial loss	(2,245,000)	(2,039,000)
Deficit in the scheme at the end of the year	(5,031,000)	(4,283,000)

27. Pension commitments (continued)

History of experience gains and losses

	2014	2013	2012
	£	£	£
Difference between the actual and expected return on scheme assets:			
Amount	470,000	163,000	443,000
Percentage of scheme assets	2.3%	0.9%	2.6%
Experience gains and losses on pension scheme liabilities:			
Amount	-	-	-
Percentage of the present value of the scheme liabilities	0.0%	0.0%	0.0%
Total amount recognised in consolidated statement of total recognised gains and losses:			
Amount	(2,245,000)	(2,039,000)	(1,326,000)
Percentage of the present value of the scheme liabilities	8.9%	8.7%	6.8%

27. Pension commitments (continued)

Gibtel Pension Fund

	Long-term rate of return expected at 31 December 2014	Long-term rate of return expected at 31 December 2013	Long-term rate of return expected at 31 December 2012	Long-term rate of return expected at 31 December 2011	Long-term rate of return expected at 31 December 2010
Equities	3.7%	7.2%	7.2%	7.7%	8.3%
Corporate bonds and fixed income	3.7%	4.5%	4.6%	5.0%	5.5%
UK Government bonds	3.7%	3.6%	3.0%	2.9%	4.2%
Cash and other assets	3.7%	3.1%	2.4%	2.9%	4.1%
	Value at 31 December 2014	**Value at 31 December 2013**	**Value at 31 December 2012**	**Value at 31 December 2011**	**Value at 31 December 2010**
	£	**£**	**£**	**£**	**£**
Equities	8,918,700	8,473,000	7,593,000	6,192,000	5,899,000
Corporate bonds and fixed income	3,203,900	1,675,000	2,712,000	2,338,000	2,982,000
UK Government bonds	1,517,500	2,691,000	1,260,000	1,073,000	858,000
Cash and other assets	1,609,900	1,501,000	1,225,000	1,897,000	1,961,000
Market value of assets	15,250,000	14,340,000	12,790,000	11,500,000	11,700,000
Present value of liabilities	(22,750,000)	(19,960,000)	(18,880,000)	(16,300,000)	(15,080,000)
Scheme deficit	(7,500,000)	(5,620,000)	(6,090,000)	(4,800,000)	(3,380,000)
Related deferred tax asset	1,500,000	1,124,000	1,218,000	960,000	676,000
Net pension liability	(6,000,000)	(4,496,000)	(4,872,000)	(3,840,000)	(2,704,000)

27. Pension commitments (continued)

Analysis of amount charged to operating profit

	2014	2013
	£	£
Current service cost	(260,000)	(210,000)
Past service cost	-	(50,000)
	(260,000)	(260,000)

Analysis of amount charged to other finance costs

	2014	2013
	£	£
Expected return on pension scheme assets	870,000	770,000
Interest cost on pension scheme	(890,000)	(860,000)
	(20,000)	(90,000)

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

	2014	2013
	£	£
Actual return less expected return on pension scheme assets	(160,000)	690,000
Experience gains arising on the pension scheme liabilities	430,000	-
Changes in the assumptions underlying the present value of the pension scheme liabilities	(2,650,000)	(730,000)
Actuarial loss recognised in consolidated statement of total recognised gains and losses	(2,380,000)	(40,000)

27. Pension commitments (continued)

Movement in deficit during the year

	2014	2013
	£	£
Deficit in the scheme at the beginning of the year	(5,620,000)	(6,090,000)
Movement:		
Current service cost	(260,000)	(210,000)
Contributions	780,000	860,000
Past service cost	-	(50,000)
Other finance cost	(20,000)	(90,000)
Actuarial loss	(2,380,000)	(40,000)
Deficit in the scheme at the end of the year	(7,500,000)	(5,620,000)

History of experience gains and losses

	2014	2013	2012
	£	£	£
Difference between the actual and expected return on scheme assets:			
Amount	(160,000)	690,000	-
Percentage of scheme assets	1.0%	4.8%	-
Experience gains and losses on pension scheme liabilities:			
Amount	430,000	-	330,000
Percentage of the present value of the scheme liabilities	1.9%	0.0%	2.6%
Total amount recognised in consolidated statement of total recognised gains and losses:			
Amount	(2,380,000)	(40,000)	(1,720,000)
Percentage of the present value of the scheme liabilities	10.5%	0.2%	9.1%

The total combined actuarial loss of both Company schemes during 2014 is £4,625,000 (notes 22 and 23). This comprises of £2,245,000 in respect of the Gibraltar Nynex Communications Staff Pension Scheme and £2,380,000 for the Gibtel Pension Fund.

27. Pension commitments (continued)

Deferred tax and closing liability - cumulative

	2014	2013
	£	£
Deficit in the Gibtel Pension Fund	(7,500,000)	(5,620,000)
Deficit in the Gibraltar Nynex Communications Limited Staff Pension Scheme	(5,031,000)	(4,283,000)
Total deficit	(12,531,000)	(9,903,000)
Deferred tax asset at 20% (note 19)	2,506,200	1,980,600
Pension liability	(10,024,800)	(7,922,400)

28. Related party transactions

The Directors consider HM Government of Gibraltar, by virtue of its ownership of the share capital of Gibtelecom, to be a related party.

The Company, at any given time, owes HM 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 2014, the Company owed HM 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 10, the Company had a corporation tax liability of £330,787 along with an outstanding tax credit from the prior year of £501,610 as at 31 December 2014 (2013: net credit of £505,134).

The Company provides some parts of HM Government of Gibraltar with communication services and equipment, as well as data centre services, in the normal course of business at its published tariffs to the business community and the general public. The Company also pays licence fees to the Gibraltar Regulatory Authority (GRA). The general licence and spectrum fees for their period 2014/2015 was £649,963 (2013/2014 was £1,872,271), of which the full amount was paid in 2014.

On 24 January 2014, the Company purchased the Haven building in John Mackintosh Square for £5,800,000 from HM Government of Gibraltar.

28. Related party transactions (continued)

The amounts of the balances due to HM Government are shown below.

Group and Company

	2014	2013
	£	£
Amounts due from/(to) HM Government		
Corporation tax debtor (note 16)	501,610	505,134
Corporation tax creditor (note 17)	(330,787)	-
PAYE and social insurance (note 17)	(170,294)	(151,582)
	529	353,552

The Directors also consider Telekom Slovenije D.D. (TS) of Slovenia to be a related party by virtue of its 50% interest in the share capital of Gibtelecom until the sale of this interest to HM Government of Gibraltar on 11 December 2014. Gibtelecom still has agreements with TS to purchase some technical services. Total fees for these services during 2014 were £54,721 (2013: £ 92,119). The fees accrued for these services as at 31 December 2014 amounted to £3,600 (2013: £8,900).

29. Capital Commitments

At 31 December 2014 the Company had ongoing commitments for capital expenditure of £2,814,300 (2013: £1,308,490). The latest operational capital budget for 2015 is £7,011,000 (2014: £5,830,000), excluding further EIG submarine cable investment and the Haven building redevelopment.

30. Financial Commitments

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

Group and Company

	2014	2013
	£	£
Within one year	184,800	138,600
Within two to five years	69,600	62,480
After five years	136,400	124,320
	390,800	325,400

31. Ultimate controlling parties

The Directors consider HM Government of Gibraltar to be the immediate and ultimate controlling party by virtue of holding 100% of the share capital of Gibtelecom.

32. Subsequent events

The 12 month capital repayment moratorium on the loan facility agreement for £3,600,000 agreed with The Royal Bank of Scotland International Limited, trading as NatWest, for the Haven building [note 17(v)] has been replaced with a revised loan facility agreement extending the capital repayment moratorium to 28 February 2016. It will allow the Company time to complete the Haven redevelopment project plan budget. It is intended to combine this existing £3,600,000 loan with 50% of the redevelopment project costs into one mortgage finance facility. This extension has been reflected in the maturity profile of bank loans disclosure in note 18.

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