GIBTELECOM ANNUAL REPORT 2015

Gibtelecom

Registered office
15/21 John Mackintosh Square, Gibraltar

Secretary
Francis Brancato
15/21 John Mackintosh Square, Gibraltar

Auditor
Deloitte Limited,
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FABIAN PICARDO
Chairman

> Gibtelecom has once again shown that it is keeping pace with technology and operating on a par with much larger operators around the globe.

CHAIRMAN'S INTRODUCTION

In 2015 Gibtelecom celebrated the 25th anniversary of the establishment of Gibraltar Nynex Communications Limited, following the privatisation of the Government Telephone Department in May 1990. I am encouraged by how Gibtelecom has over those years met the challenges of the evolving world of communications and helped transform this aspect of the landscape of Gibraltar.

In February 2016 Gibtelecom launched its new 4th generation (4G+) mobile services, marking a new era in mobile communications for Gibraltar with mobile users able to access the web at up to 30 times faster than previously. Indeed this is in all probability the first time a European operator has managed to cover the entirety of a territory it serves with 4G signals. As I said at the launch event, Gibtelecom has once again shown that it is keeping pace with technology and operating on a par with much larger operators around the globe.

This year also saw the completion of Gibtelecom's extensive migration to the technology that enables the Company to offer broadband speeds throughout Gibraltar of up to 100mbps - well in advance of the European Union's "Digital Agenda" target of every citizen being able to receive by 2020 broadband download speeds of at least 30Mbps and half of households 100Mbps.

The Company is now commencing the roll out of fibre to the home (FTTH), with the planned extension of its fibre optical infrastructure across the entire Rock to every subscribers' premises, in competition with other local providers. Works on the extensive redevelopment of the centrally located Haven Building are expected to commence next year, turning it into a state–of–the-art technology and services centre which would meet the communications requirements of the Company and community for many years to come.

Gibtelecom's status as a small operator punching above its weight in the global arena is now well founded, with the Company leveraging its participation in the Europe India Gateway (EIG) submarine cable system to extend its international reach. This interconnectivity, together with the Group's growing data centres activity, provides the opportunity for Gibtelecom to build its business enterprise portfolio further for local as well as international clients.

2015 was an important year for Gibtelecom in demonstrating it is capable of meeting the technological demands of the vibrant Gibraltar economy. So significant to delivering this objective is the professionalism and commitment of the Company's employees.

Fabian Picardo
Chairman

TIM BRISTOW
Chief Executive Officer

Gibtelecom has secured for itself a niche position in the highly competitive global wholesale telecoms market, establishing a network which now runs half way round the world.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Faced with the challenge of keeping in sync with the rapid pace of technological advancement, as well as increasing competition and regulation across different aspects of the business, Gibtelecom has continued to maintain its strong performance.

Twice each year a representative sample of randomly selected business and residential customers are independently surveyed, and in 2015 some 90% of customers rated Gibtelecom's fixed line, wireless and broadband services as satisfactory or above, with two thirds of these rating the services very effective. The need to be responsive to our core customer base is at the forefront of Gibtelecom's objectives and the prime driver behind the Company's substantial investment in new technologies and infrastructure.

Stemming from the proliferation of mobile and connected devices in society, the year 2015 saw a Company-wide shift in focus from fixed to mobile broadband development. Early in the year, Gibtelecom signed a contract to upgrade its Ericsson mobile equipment and network to fourth generation (4G+) LTE (Long Term Evolution) services, capable of providing customers with the highest available speeds currently available for mobile devices. This, combined with the development of a new technology centre at the Company's Mount Pleasant premises, involving substantial capital investment, ensures the Company can deliver to customers similar services provided by communications companies in much larger countries.

Following extensive trials, the commercial launch of the new mobile 4G+ service, offering mobile broadband speeds of up to 225Mbps, took place in February 2016. This marked a new era in the Gibraltar telecommunications market, revolutionising the way we use mobile data and meeting the demand for higher internet access speeds on the move. The 4G+ technology not only provides for Gibraltar some of the best features of the mobile age today, including downloading of videos or other media in a matter of seconds, but also facilitates better coverage and less buffering of data and has all been delivered at no additional cost to the consumer. New inclusive mobile plans were introduced, giving customers the choice to have voice minutes, texts, and data form part of their monthly mobile rental charges. Despite one local mobile competitor, and a number of foreign operators signals penetrating Gibraltar, the Company maintains its position as the number one provider on the Rock.

During the course of 2015, and after going through the town planning and landlord permitting processes, the two-year programme to install VDSL2 infrastructure throughout Gibraltar was completed. The roll-out of the Company's SuperSwift fibre broadband product, making up to 100Mbps download speeds available everywhere on the Rock, has ensured that the Company stays ahead of the European Union (EU) "Digital Agenda" objectives for broadband speeds and coverage. This year the Company also launched its fibre to the home (FTTH) project laying down hybrid cabling, a high-performance technology combining the best aspects of the more traditional copper wires and advanced fibre optics, to all new building developments in Gibraltar. Nevertheless, Gibtelecom faces increasing competition in the provision of fixed broadband services, and although retaining its position as the main fixed line communications provider on the Rock is experiencing some loss of market share.

On the international side of the business Gibtelecom has secured for itself a niche position in the highly competitive global wholesale telecoms market, establishing a network which now runs nearly half way round the world. With an extended European network with technical points of presence in Madrid and Marseilles established last year, on top of those in London and Gibraltar, the Company is now in a position to exploit opportunities through partnering with other global carriers and providers. Earlier this year, the Company signed a strategic agreement with Telekom Malaysia (TM) that extended Gibtelecom's international network beyond India and into southeast Asia from Europe. It is through the Company's past and continuing investment in the Europe India Gateway (EIG), a submarine cable system from London to Mumbai, with landing points in Europe, Africa, and the Middle East, that this expansion of the Company's direct global reach has become a reality. Gibtelecom's appointment in 2016 to the chair of the EIG Management Committee is testimony to the growing global reputation and stature that the Company now enjoys.

Alongside the communications routes diversity and resilience, Gibtelecom's data centres business continues to flourish with its facilities in the southern part of the Rock filled close to capacity. A further mark of our success in this area is that Gibtelecom were recently chosen, in competition with other locally based providers, to build and operate the data centre at the soon to be completed World Trade Center in the northern part of the Rock. This will provide diversity of location, along with the data centre planned to be built by the Company in its expanding presence in the centre of Gibraltar. In recognition of this growing and distinct part of the business, the Group has recently established a wholly owned subsidiary company, Rockolo Limited, to handle Gibtelecom's data centres operations. Rockolo was chosen as a youthful brand with a solid Gibraltar connection, and the business is due to commence trading from 2017.

Gibtelecom continues to meet its many and diverse regulatory obligations. The submission of externally audited

accounting separation reports (ASRs), providing detailed financial and other information on the Company's various regulated activities to the GRA (Gibraltar Regulatory Authority), continues to be a substantive undertaking for a company the size of Gibtelecom. During 2015 the Company also responded to a number of GRA public consultations, including reviews on wholesale fixed and mobile markets, as well as extending Gibtelecom's designation as Universal Service Obligations (USO) provider for another three years to 2018. The Company reduced its roaming (including data roaming) charges and modified its "bill shock" notifications in order to remain compliant with the latest roaming requirements. Gibtelecom's roaming charges have always been at or below the varying caps set by the EU roaming regulations. Since the regulations were first introduced in 2007, Gibtelecom subscribers have seen their prices for mobile calls whilst roaming abroad in the European Economic Area (EEA) reduced by over 50%, with data usage savings of nearly 75%.

The Company continues to invest for the future and in its people, although securing some of the experienced and skilled technical talents we need generally proves challenging due to the increasing demands for such communications expertise throughout the world. Also as part of the Company's "investing for expansion" philosophy, Gibtelecom acquired the Haven building in 2014 with the redevelopment receiving full planning permission from the Development and Planning Commission (DPC) early this year to transform it into a state–of–the-art technology and services centre. The redevelopment of the Haven building is due to get underway in 2017 and will facilitate the implementation of next generation technologies, alongside enhancing some of the Company's other communications infrastructure and services.

Gibtelecom has always taken pride in its commitment to being corporately and socially responsible. In 2015 we continued with our engagement with the local community by supporting many cultural, sporting and educational events, including the Gibraltar and Oxford literary festivals and the international chess and music festivals held on the Rock. The Company remains committed to safeguarding the environment and is on track to reducing its electrical power consumption by increasing the efficiency of its technology operations.

Over the last year or so, the Company has taken important strides to develop its infrastructure and meet the many challenges inherent in the type of industry in which we operate. Gibtelecom can boast that it offers services akin to those available in large European countries, but without the benefits of large economies of scale and yet facing a similar level of regulatory pressures and competition. Inevitably there will be challenges ahead, but working together as a coherent team we believe Gibtelecom has every prospect of leading the next important stages of Gibraltar's communications journey.

Tim Bristow
Chief Executive Officer

DIRECTORS' REPORT

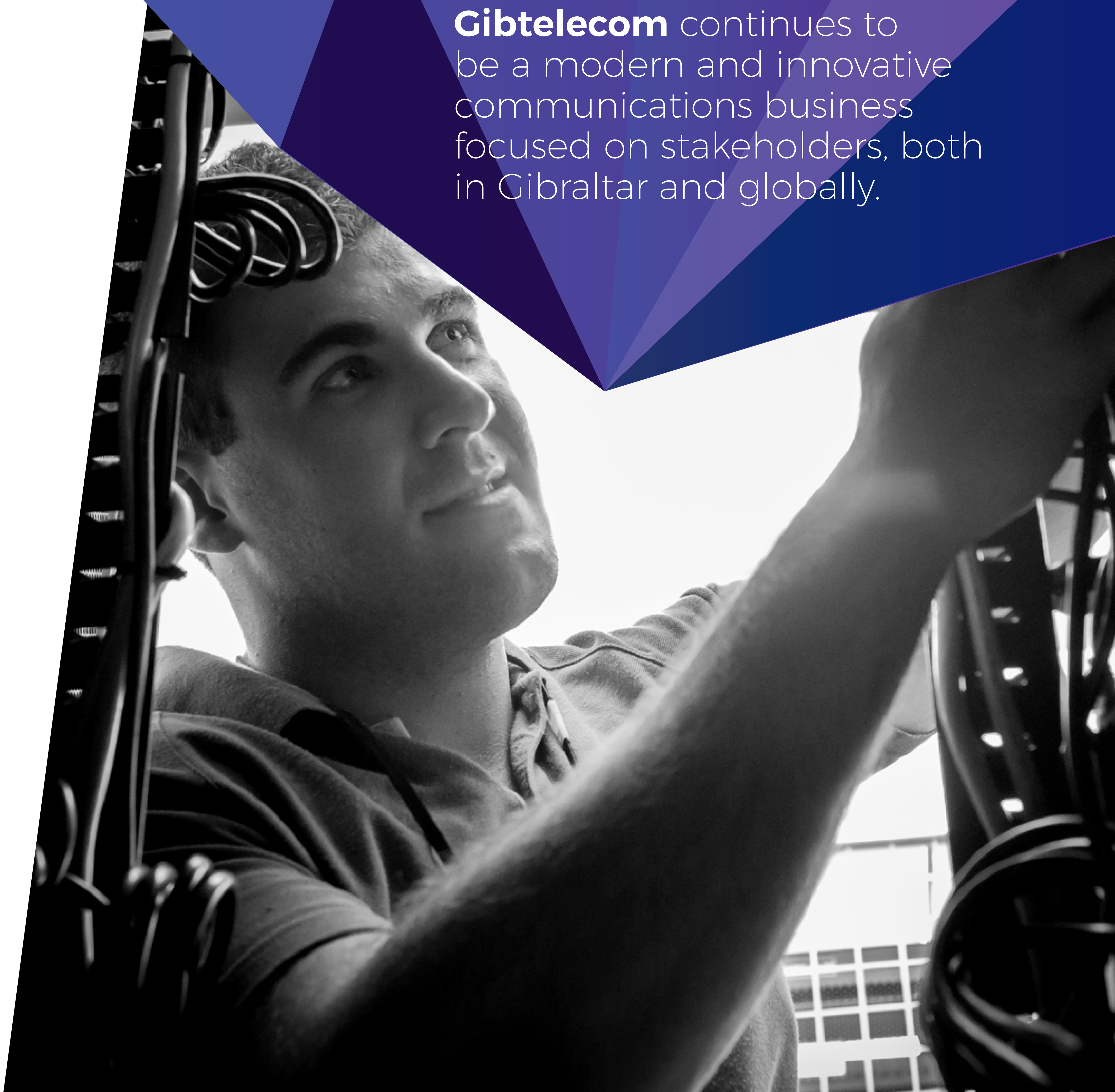
The Directors present their report, business review and the audited financial statements for the year ended 31 December 2015 for Gibtelecom Limited ("Gibtelecom").

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. In August 2016 a new wholly owned subsidiary company, Rockolo Limited, was established to handle the Company's data centres business at arm's length from the Group and is expected to commence trading from 2017. 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, mobile, broadband and various business enterprise services, together with the supply of communications equipment in Gibraltar. The Company is also a provider of data centre services in Gibraltar and a global communications carrier, through its ownership investment in submarine fibre optic cables and several technical points of presence in Europe.

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



GIBTELECOM 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 environment
- employing people with the right abilities and positive attitudes
- being responsive to shareholders.

GIBTELECOM 2015 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.

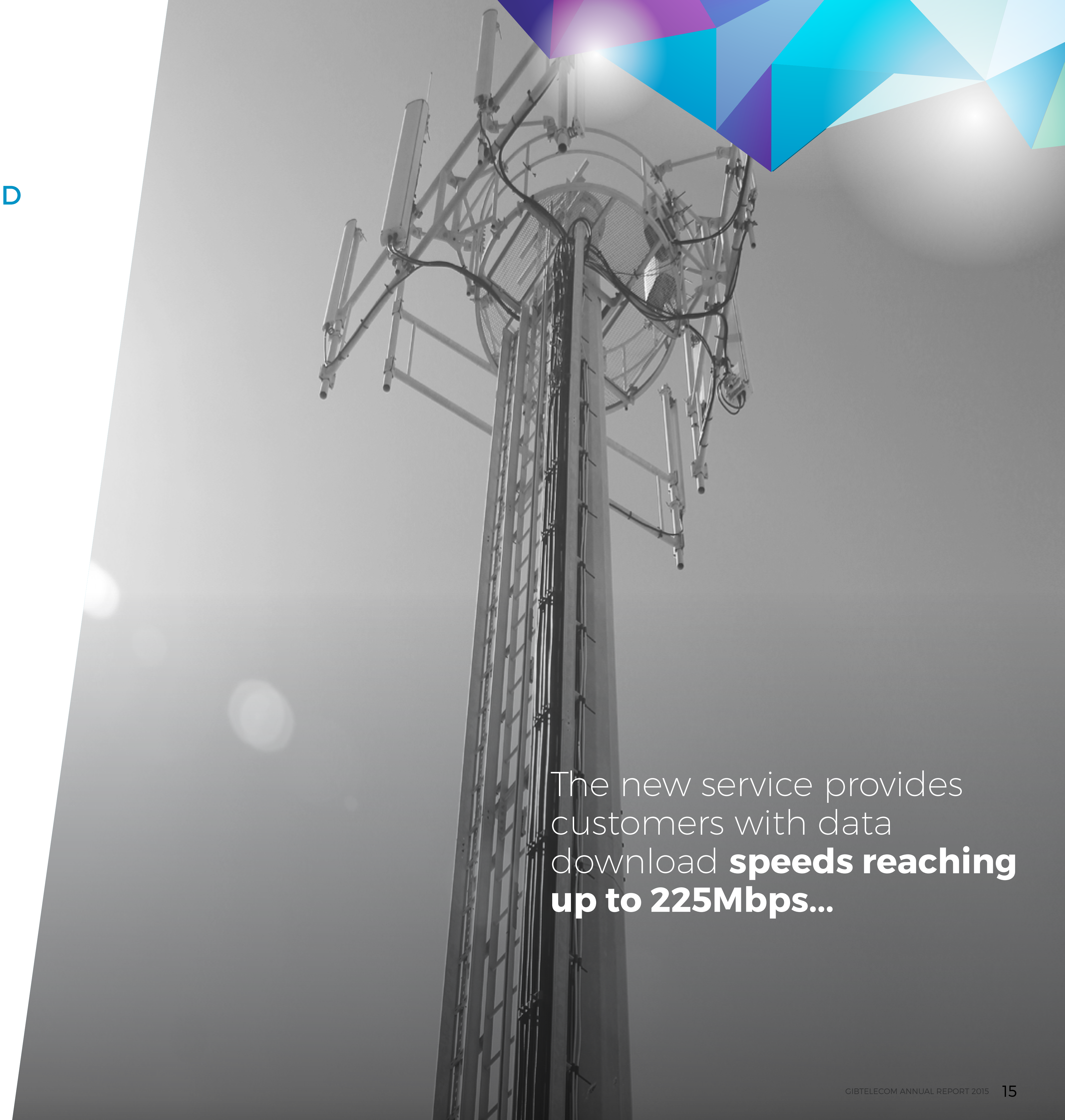
Operating the business efficiently, effectively and ethically.

SUSTAINING THE CUSTOMER BASE BY INVESTING IN TECHNOLOGY AND INFRASTRUCTURE

The focus for the Company in 2015 was on the continued delivery of quality communication services, coupled with substantial investment in enhancing technologies and infrastructure.

Ensuring the Company is ahead of the European Union "Digital Agenda" for broadband speeds and coverage, the Company's fixed line SuperSwift broadband roll-out programme was all but completed in 2015. Now all VDSL2 nodes across Gibraltar have been enabled with G.vector technology, with the capability of providing broadband access speeds of up to 100Mbps to every subscriber in Gibraltar. In total, sixty-three nodes across fifty different sites were deployed as part of the migration to delivering superfast broadband. As part of marking the Company's 25th year, from 1 August 2015 Gibtelecom increased the speed of its 16Mbps SuperSwift package to 25Mbps at no extra charge to the customer. The Company also lowered the prices on its 50Mbps and 100Mbps offerings. 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. The Company is now embarking on a project to install fibre to the home (FTTH) throughout Gibraltar, in competition with two other local providers at this time.

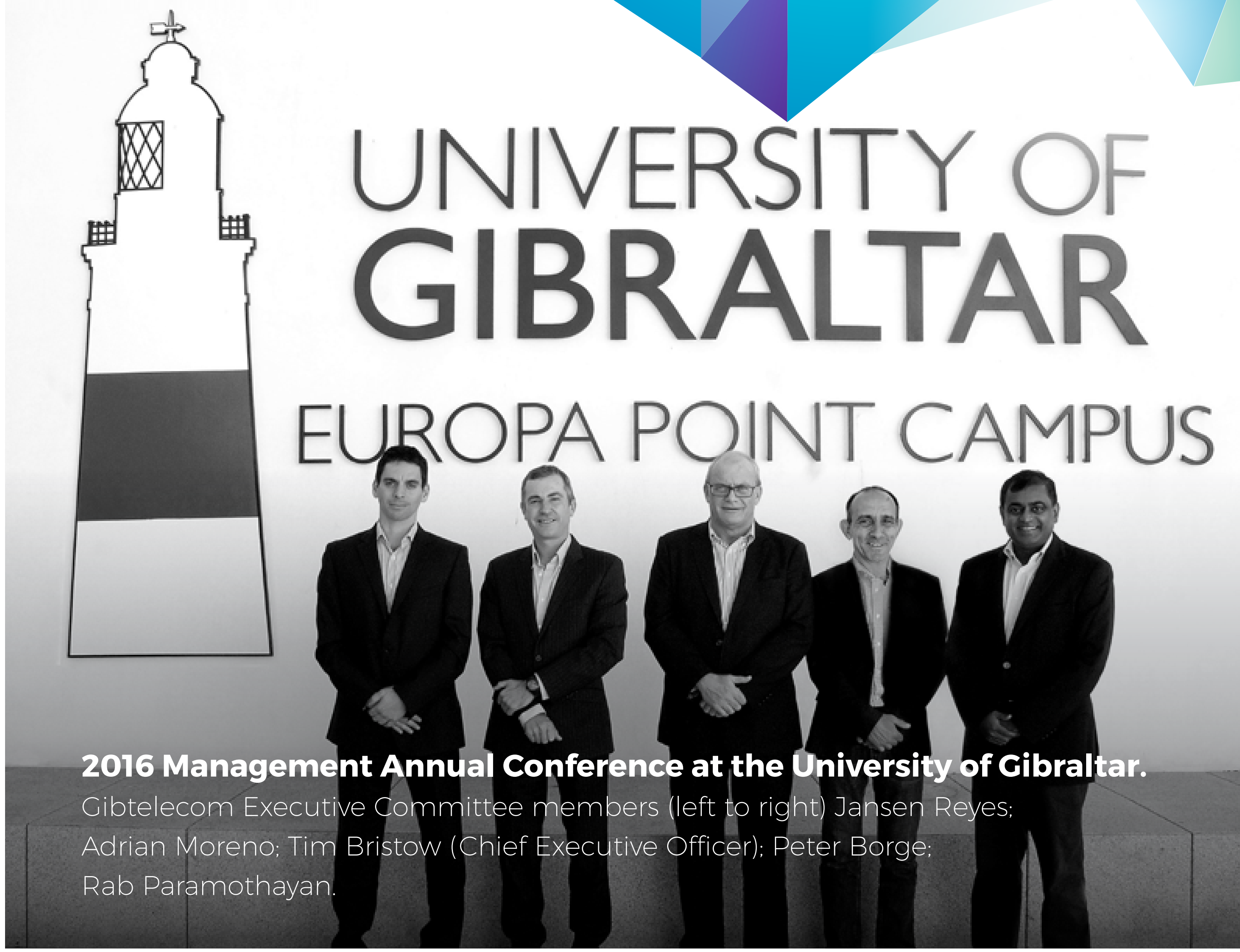
The Company continued to improve its 3G mobile data offering and began preparations for the introduction of 4th Generation Long Term Evolution (4G LTE) services. In February 2015, Gibtelecom and Ericsson signed a £3.5 million contract for the provision of 4G+ mobile services and equipment. At the same time, the entire mobile core network was overhauled and the programme for enhancing and consolidating radio access network assets was completed. Mobile sites across Gibraltar were optimised to support the launch of 4G+ services, which was commercially rolled out on 15 February 2016. The new service provides customers with data download speeds reaching up to 225Mbps, as well as improved indoor and outdoor coverage and less buffering.



To coincide with the 4G+ launch, new pricing and bundling initiatives were introduced which increased the data available on existing packages by up to four-fold. Customers are not being charged anything extra for 4G+ and are able to enjoy the higher data speeds as standard on their extant mobile plans. Alternatively, new monthly mobile plans are available which include local minutes, text messages and data, with options for customers to top up data as necessary. A "double your data" promotion, rewarding customers who both contract the new mobile subscriptions and SuperSwift broadband to double their mobile data allowances and home broadband speeds for those subscribing to both services has also been introduced.

Following the decision by the European Union on the eventual withdrawal of roaming surcharges within the bloc, Gibtelecom announced that it would meet its obligations in accordance with the declared rules and timetable. At the time of writing, the EU is yet to provide further rules and guidance on how the abolition of roaming surcharges will be applied. In response to customer representations regarding high overseas roaming charges, particularly in relation to accessing data in some countries outside the European Economic Area (EEA), Gibtelecom decided to bar automatic data roaming from 1 November 2015 for its post-paid mobile (monthly billed) customers for the rest of the world beyond the European Economic Area (EEA).

Overall, Gibtelecom's mobile customer base and revenues (including mobile data) have remained solid despite increasing competition from "Over-The-Top" native applications and reducing call usage, as well as there being one other mobile provider and neighbouring foreign operators' signals penetrating large parts of Gibraltar.



2016 Management Annual Conference at the University of Gibraltar.
Gibtelecom Executive Committee members (left to right) Jansen Reyes; Adrian Moreno; Tim Bristow (Chief Executive Officer); Peter Borge; Rab Paramothayan.

Demand for hosting customers' equipment within Gibtelecom data centres continues to be buoyant despite increasing competition in this sector within the jurisdiction. By the end of 2015, the Company had over 90 per cent occupancy of its five commercial data centres, occupying some 700 square metres and catering for c300 racks due to the continuing growth in demand for business enterprise services. Bundling initiatives introduced in February 2015 for qualifying customers contracting IP Flexiband, Ethernet and hosting services had minimal impact on revenues.

Full planning permission was received early this year from the Development and Planning Commission for the complete redevelopment of the Haven building into a state–of–the-art technology centre and services complex, and works are expected to get underway in 2017. The Company's other new purpose built technology centre at Mount Pleasant was largely completed in 2015.

This "own-use" centre is designed to host a multitude of Gibtelecom's services and platforms, with the medium-term plan of building resilience to equipment hosted in the Haven Building and adjoining City Hall. The installation of next generation technologies will facilitate the eventual removal of the bridge that connects the City Hall with the Haven building.

ADVANCING GIBTELECOM'S STATUS AS AN INTERNATIONAL PLAYER

Gibtelecom continues to advance its position as a burgeoning global carrier by expanding the Company's international presence and exploiting opportunities through partnerships with other global carriers and providers.

To this end, the remaining components of Gibtelecom's European network were completed and commissioned in 2015 which included the interconnections between all four of the Company's European Points of Presence (PoPs) in Gibraltar; London; Madrid; and Marseilles. Together with the breakout at the Europe India Gateway (EIG) submarine cable landing station in Marseilles, Gibtelecom is now able to provide interconnection to Tier One providers with onward connectivity to major cities around mainland Europe.

Whilst the international wholesale and retail business remains highly competitive, the Company's commercial and technical flexibility is an important advantage in attracting new customers. Gibtelecom continues to play an important role in the Europe India Gateway (EIG) submarine cable system and the Company has recently been appointed to take over as the chair of the Management Committee (MC). The EIG system extends over 15,000 km with 13 landings across Europe (including Gibraltar), Africa, the Middle East and Asia. In October 2015 Gibtelecom and Telekom Malaysia (TM) signed IRU (Irrefutable Rights of Use) contracts exchanging some capacity on the EIG and SMW4 submarine cables respectively.

Gibtelecom provides TM with some route diversity into Europe, with a Gibtelecom extension from Marseilles to Frankfurt. In turn, Gibtelecom extended its global network by some 4,000 km in to South East Asia.

In order to grow its global presence, the Company participated in several key 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 sponsored a number of media and high profile events, such as the e-Gaming Review (EGR) Awards and the Foreign Press Association (FPA) Media Awards held in London in November 2015. In 2016 the Company became an ICT (Information Communications Technology) sector member of the Commonwealth Telecommunications Organisation.

OPERATING THE BUSINESS EFFICIENTLY, EFFECTIVELY AND ETHICALLY

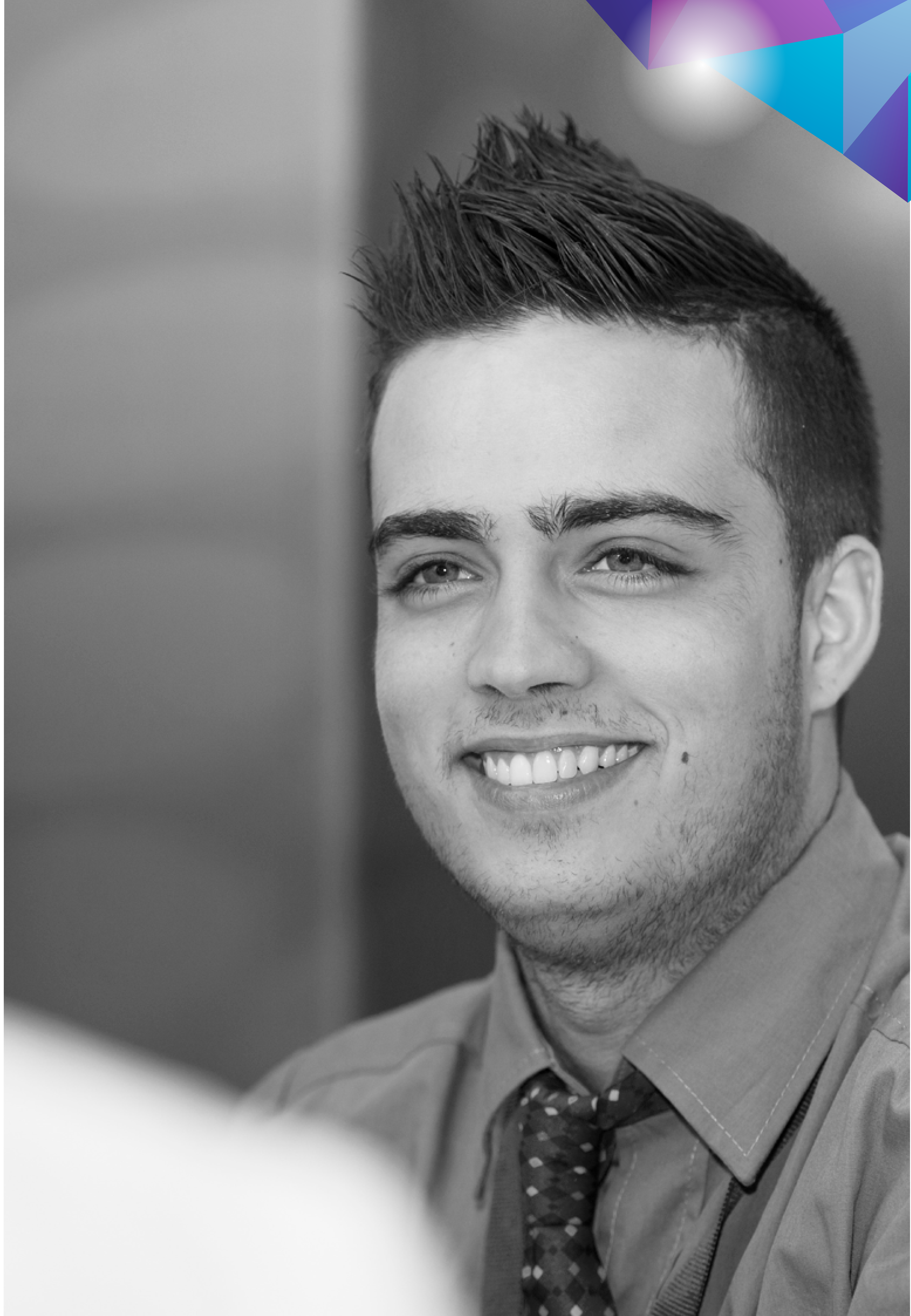
Gibtelecom prides itself in being a responsible and sustainable operator creating a sound communications future for its stakeholders, the local community and the environment.

The Company is committed to working ethically as a business, investing in the Company's employees, supporting local charities and promoting a "green" agenda.

In 2015, despite a challenging competitive and regulated local market, the Company achieved a healthy EBITDA of c41%. This level of profitability is testament to the Company operating efficiently and providing value for money for its various stakeholders, whilst providing an effective quality service and product portfolio to its customers.

As in previous years, Gibtelecom continued to support the Gibraltar International Chess Festival, together with "The Day's Play" broadcast and documentary, in addition to on-going technology support. The Company also sponsored and helped make the difference to nearly 50 local charities, cultural events and sporting organisations during the year. Together with HM Government of Gibraltar Ministry for Sports, Culture, Heritage and Youth, the Company sponsored other events, including the Literary Festival, the Jazz Festival and some international musical events.

Gibtelecom is one of the largest consumers of power on the Rock. It thus has a responsibility to reduce this consumption to the extent practically possible. The Company aims to achieve this by promoting power and carbon footprint reduction measures and conducting itself in an environmentally ethical manner. Across all of Gibtelecom's data centres, the Company has reduced power consumption by 12.5% year on year. The Company has also now established a general energy saving programme, initially targeting the Company's John Mackintosh Square premises and commencing with the replacement of current lights with ECO friendly LED lighting. Additionally, a third of the Company's light commercial vehicles (LCVs), replaced in June 2015 as part of the vehicle replacement policy, have a low carbon emission of 146g/Km.



Gibtelecom held a Community "Family Day" at John Mackintosh Square on 11 July 2015. The event was held to commemorate the quarter of a century since the formation of Gibtelecom's predecessor Gibraltar Nynex Communications and as a way of saying thank you to customers for their support over the years. There were a number of activities for everyone to enjoy, in particular the younger members of the community.

Financial Results

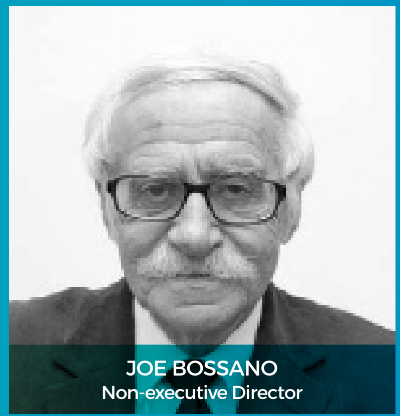
The Company's turnover was fairly stable year-on-year, earned against a background of increasing competition at home and overseas, alongside some reduced mobile, broadband and business enterprise charges. Through the containment of costs the profitability of the business after taxation in 2015 was £8,166,095 (2014: £7,493,327). The dividends paid in the year 2015 were £6,000,000 (2014: £5,900,000).

DIRECTORS

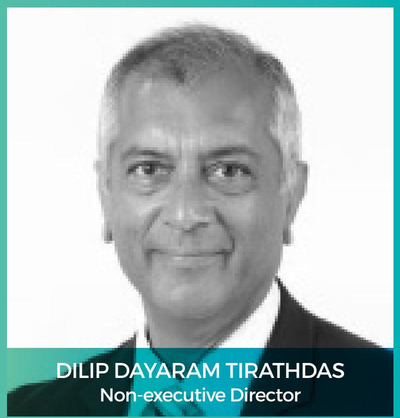
The Board Directors who held office during the year are British.

FABIAN PICARDO
Chairman

TIM BRISTOW
Chief Executive Officer



JOE BOSSANO
Non-executive Director



DILIP DAYARAM TIRATHDAS
Non-executive Director

ALBERT MENA
Non-executive Director

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 (Global and Business Development; Technology; and Customer Operations).

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 Companies Act 2014.

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"). The financial statements have been prepared in accordance with Gibraltar Financial Reporting Standard (GFRS) 102, under which the Directors:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- stated that applicable accounting standards have been followed, and explained; and
- prepared the financial statements on the going concern basis..

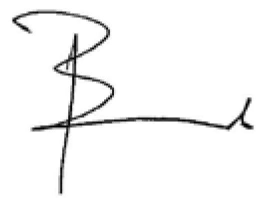
The Directors confirm that they have complied with the above requirements in preparing the financial statements and that Gibraltar Accounting Standards have been applied in their preparation.

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, has been reappointed by the Company's Annual General meeting.

By order of the Board



Company Secretary
21 December 2016

INDEPENDENT AUDITOR'S REPORT

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 2015 which comprise the consolidated profit and loss account, the consolidated statement of other comprehensive income, the Group and the Company balance sheet, the consolidated statement of changes in equity, 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 257 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 2015 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 2014.

Opinion on other matter prescribed by the Companies Act 2014

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.

Matter on which we are required to report by exception

We have nothing to report in respect of the matter where the Companies Act 2014 requires us to report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

Stephen J Reyes
(Statutory Auditor)

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 STATEMENTS

Consolidated profit and loss account for the year ended 31 December 2015

	Notes	2015 £	2014 £
TURNOVER	2	41,653,628	41,978,537
OPERATING EXPENSES			
Technical and infrastructure		(6,287,700)	(6,183,500)
Operational charges	7	(6,074,443)	(7,035,989)
Payments to telecommunications administrators		(2,152,989)	(2,987,506)
Staff costs	3	(9,622,407)	(8,447,683)
Corporate restructuring costs	18	(86,170)	(250,000)
Depreciation	11	(5,228,896)	(4,701,838)
EIG amortisation	13	(1,427,644)	(1,427,640)
Total operating expenses		**(30,880,249)**	**(31,034,156)**
Group operating profit		**10,773,379**	**10,944,381**
Gain on disposal of tangible fixed assets		-	5,192
Interest receivable on bank deposits		11,112	7,056
Interest payable and similar charges	8	(540,380)	(517,073)
Finance cost	22	(446,000)	(401,000)
Impairment losses	6	-	(981,355)
Profit on ordinary activities before taxation		**9,798,111**	**9,057,201**
Tax on profit on ordinary activities	9	(1,632,016)	(1,563,874)
Profit on ordinary activities after taxation		**8,166,095**	**7,493,327**
Dividends	10	(6,000,000)	(5,900,000)
Retained profit for the financial year		**2,166,095**	**1,593,327**

There have been no discontinued activities or acquisitions in the current or preceding 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 as at 31 December 2015, Gibconnect Limited, was non-trading.

Statement of group total recognised gains and losses for the year ended 31 December 2015

	Notes	2015 £	2014 £
Profit for the financial year		8,166,095	7,493,327
Remeasurement gain/(loss) recognised in other comprehensive income	22	3,158,000	(4,096,000)
Movement in deferred tax relating to pension liability	9	(755,000)	525,600
Total other comprehensive income for the year		**10,569,095**	**3,922,927**

The notes on pages 32 to 59 form part of these financial statements

Balance sheet as at 31 December 2015

	Notes	Group 2015 £	Group 2014 Note 28 £	Company 2015 £	Company 2014 Note 28 £
FIXED ASSETS					
Tangible fixed assets	11	31,760,231	30,706,923	31,760,231	30,706,923
Investments	12	-	-	4,000	4,000
EIG submarine cable	13	13,580,086	14,738,262	13,580,086	14,738,262
		45,340,317	45,445,185	45,344,317	45,449,185
CURRENT ASSETS					
Stocks	14	947,932	906,709	947,932	906,709
Debtors					
- due within one year	15	10,585,566	12,967,181	10,585,566	12,967,181
- due after one year	15	675,964	49,291	675,964	49,291
Cash at bank and in hand		6,021,249	4,188,130	6,021,249	4,188,130
		18,230,711	18,111,311	18,230,711	18,111,311
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(9,209,711)	(8,814,855)	(9,213,711)	(8,818,855)
Net current assets		**9,021,000**	**9,296,456**	**9,017,000**	**9,292,456**
Total assets less current liabilities		**54,361,317**	**54,741,641**	**54,361,317**	**54,741,641**
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(13,865,493)	(15,140,072)	(13,865,493)	(15,140,072)
PROVISIONS FOR LIABILITIES	18	(10,383,979)	(14,058,819)	(10,383,979)	(14,058,819)
NET ASSETS		**30,111,845**	**25,542,750**	**30,111,845**	**25,542,750**
CAPITAL AND RESERVES					
Called up share capital	19	15,000	15,000	15,000	15,000
Share premium account		14,985,000	14,985,000	14,985,000	14,985,000
Profit and loss account		15,111,845	10,542,750	15,111,845	10,542,750
Equity shareholders' funds		**30,111,845**	**25,542,750**	**30,111,845**	**25,542,750**

Approved by the Board on

Director **Director**

The notes on pages 32 to 59 form part of these financial statements

Consolidated statement of changes in equity for the year ended 31 December 2015

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
As at 1 January 2014 as previously stated	15,000	14,985,000	12,705,844	27,705,844
Change on transition to GFRS 102 (see note 28)	-	-	(186,021)	(186,021)
At 1 January 2014 as restated	15,000	14,985,000	12,519,823	27,519,823
Restated profit for the financial year	-	-	7,493,326	7,493,326
Dividends	-	-	(5,900,000)	(5,900,000)
Retained profit for the financial year	15,000	14,985,000	14,113,150	29,113,150
Remeasurement loss recognised in other comprehensive income (note 22)	-	-	(4,096,000)	(4,096,000)
Movement on deferred tax relating to pension schemes (note 15)	-	-	525,600	525,600
As at 31 December 2014	15,000	14,985,000	10,542,750	25,542,750
As at 1 January 2015	15,000	14,985,000	10,542,750	25,542,750
Profit for the financial year	-	-	8,166,095	8,166,095
Dividends	-	-	(6,000,000)	(6,000,000)
Retained profit for the financial year	15,000	14,985,000	12,708,845	27,708,845
Remeasurement loss recognised in other comprehensive income (note 22)	-	-	3,158,000	3,158,000
Movement on deferred tax relating to pension schemes (note 15)	-	-	(755,000)	(755,000)
As at 31 December 2015	15,000	14,985,000	15,111,845	30,111,845

The notes on pages 32 to 59 form part of these financial statements

Consolidated cash flow statement for the year ended 31 December 2015

	2015 £	2014 £
Group operating profit	10,773,379	10,944,381
Depreciation and amortisation charges	6,655,540	6,129,478
Difference between pension charge and cash contributions	(1,063,200)	(1,869,664)
(Increase)/decrease in stocks	(40,953)	220,419
Decrease/(increase) in debtors	765,731	(201,631)
Increase/(decrease) in creditors	378,648	(1,648,362)
Decrease in other provisions for liabilities and charges	86,170	(692,095)
NET CASH FLOW FROM OPERATING ACTIVITIES	**17,555,315**	**12,883,526**
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	11,112	7,056
Interest paid	(548,084)	(472,125)
Net cash outflow from return on investments and servicing of finance	**(536,972)**	**(465,069)**
CORPORATION TAX PAID	**(1,169,978)**	**(1,109,372)**
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS		
Sale of tangible fixed assets	108,424	13,482
Payments to acquire tangible fixed assets	(6,659,509)	(11,092,311)
Net cash outflow for capital expenditure and financial investments	**(6,551,085)**	**(11,078,829)**
EQUITY DIVIDENDS PAID	**(6,000,000)**	**(5,900,000)**
FINANCING		
Proceeds from bank borrowings	-	4,600,000
Repayment of bank borrowings	(1,464,161)	(1,616,080)
Net cash (outflow)/inflow from financing	**(1,464,161)**	**2,983,920**
Increase/(decrease) in cash at bank and in hand	**1,833,119**	**(2,685,824)**

The notes on pages 32 to 59 form part of these financial statements

1. ACCOUNTING POLICIES

These financial statements have been prepared under the historical cost convention and in accordance with the accounting policies set out below, applicable legislation and Gibraltar Accounting Standards, which are based on the United Kingdom Financial Reporting Standards. These are the Group's first set of financial statements prepared in accordance with Gibraltar Financial Reporting Standard 102 ("GFRS 102"). The prior year financial statements were restated for material adjustments on adoption of GFRS 102 in the current year. For more information on the adjustments see note 28.

Gibtelecom Limited is a company incorporated in Gibraltar. The nature of the group's operations and its principal activities are set out in the director's report on pages 5 to 10.

Gibraltar legislation applied in the preparation of these financial statements is the Companies Act 2014. The functional currency of Gibtelecom Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates, albeit the Company carries out transactions in other currencies.

A summary of the significant 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 2015. In accounting for its shareholding in its non-trading subsidiary, the Group consolidates fully its nominal shareholding at the year end.

The Group has opted for the exemption from preparing its own profit and loss account and related notes available under section 288(2) of the Companies Act 2014, 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 the services are provided.

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

1. ACCOUNTING POLICIES (continued)

Foreign currencies
Assets and liabilities denominated in foreign currencies are translated into pounds sterling at the prevailing rates of exchange at the balance sheet date. Transactions in foreign currencies are translated into pounds 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 billed communications debts 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.

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 provision for impairment. 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 to their residual value in 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 years leasehold property at Mount Pleasant and the 150 years leasehold Haven property in John Mackintosh Square.

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

1. ACCOUNTING POLICIES (continued)

Impairment

Financial assets are subject to impairment review in accordance with GFRS 102 Section 27 - 'Impairment of assets' if there are events or changes in circumstances that indicate that their carrying amount exceeds their recoverable amount. 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 (EIG) submarine cable system in which Gibtelecom has an ownership interest, is recognised as a prepayment in the balance sheet. This investment 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.

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 GFRS 102 Section 28 'Employee Benefits'.

The pension schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustees administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis, using the projected unit credit method and discounted at a rate determined by reference to market yields on high quality corporate bonds of a currency and term consistent with the currency and term of the scheme liabilities. The actuarial valuations are obtained triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, gross of the related deferred tax, is presented within 'provisions for liabilities' on the face of the balance sheet.

The pension cost for the schemes is determined by the actuaries who analyse the current and past service costs, together with 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 guaranteed retirement benefits. Past services costs are recognised immediately in the profit and loss account.

The net interest cost on the net defined benefit liability is shown within finance costs in the profit and loss account.

The actuarial gains or losses, which arise from an end of year actuarial valuation report prepared in accordance with GFRS 102, including updates in the actuarial valuations to reflect conditions at the balance sheet date, are taken to other comprehensive income.

1. ACCOUNTING POLICIES (continued)

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.

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.

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 subsequently measured at amortised cost using the effective interest method.

Provision for corporate restructuring costs

Termination benefits are payable when employment is ceased by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for such termination benefits. The Company recognises termination benefits when it is demonstrably committed to a termination through having a detailed formal plan to cease the employment of extant 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 original maturities of three months or less.

1. ACCOUNTING POLICIES (continued)

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 been 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.

The tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income

Unrelieved tax losses and other deferred tax assets are 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. 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	2015 £	2014 £
Fixed line rentals and voice	6,955,698	7,233,642
Wireless	12,360,940	12,280,764
Fixed Broadband	5,179,370	5,388,600
National circuits	1,963,115	2,122,828
International circuits	11,609,576	11,575,075
Data Centres	2,672,710	2,338,238
Miscellaneous	912,219	1,039,390
	41,653,628	41,978,537

3. STAFF COSTS

Group and Company	2015 £	2014 £
Wages and salaries	7,543,757	7,400,171
Social security costs	269,232	269,870
Pension costs	1,809,418	777,642
	9,622,407	8,447,683

Pension costs are calculated by the actuary in line with FRS102 to show the calculated current and past service costs of the schemes. The total current costs in 2015 were £1,554,000 (2014: £1,550,000). The difference to the figures reported above reflects other pension charges/credits effected by Gibtelecom.

In order to calculate what relates only to current year pension costs, the actuaries take into account the cash contributions effected during the year. The difference in pension costs year on year is as a result of a release of an over accrual during 2014 brought forward from prior years.

The total remuneration for key management personnel (21) comprising company, directorate and departmental leaders (note 4) for the year totalled £2,054,483 (2014: £1,976,925). This remuneration includes salaries, allowances, pension costs and any other allowances and benefits.

4. 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.

Group and Company	As At 31 December 2015 No.	2014 No.	Average for the year 2015 No.	2014 No.
By Directorate				
Chief Executive Officer and Chief Operations Officer: Corporate & Legal; Finance; Human Resources and Support Staff	18	18	18	17
Director Technology: Voice Services; Transport Networks; Technical Facilities; Networks Operation Centre; Mobile Radio; Information Technology; Enterprise Services & Data Centres and Broadband Networks	57	59	58	58
Director Customer Operations: External Plant; Buildings & Stores; and Customer Services	67	68	68	68
Director Global Business: Marketing and Business Development	11	11	11	10
Total	153	156	155	153

5. DIRECTORS' EMOLUMENTS

The Directors of Gibtelecom did not receive emoluments from the Company for their services as directors during the year (2014: £nil). One Director receives emoluments in his capacity as the Chief Executive Officer of the Company and under the provisions of the Companies Act 2014 [Schedule 16, paragraph 4], these emoluments are not disclosed, but are included in the total remuneration paid to key management (note 3).

6. IMPAIRMENT OF HAVEN BUILDING

Two valuations of the Haven building were performed during the year ended 31 December 2014 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, and consequently the building value was impaired for the difference between these two amounts.

As at 31 December 2015, redevelopment of the building is still in the planning stage and is being carried at £5,200,000.

7. OTHER OPERATING CHARGES

Group and Company	**2015** **£**	**2014** **£**
Included in other operating charges are:		
Operating lease charges on rented properties	330,315	324,228
Foreign exchange (gain)/loss	(3,781)	50,209

8. INTEREST PAYABLE

Group and Company	**2015** **£**	**2014** **£**
Interest payable on mortgage financing and bank loans	540,380	517,093

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of charge for the year

Group and Company	**2015** **£**	**2014** **£**
Current tax:		
Gibraltar corporation tax on profit for the year	(1,704,081)	(1,476,228)
Over provision from previous years	86,144	-
	(1,617,937)	(1,476,228)
Deferred tax:		
Deferred tax movement on capital allowances (see note 18)	(14,079)	(87,646)
Tax on profit on ordinary activities	(1,632,016)	(1,563,874)
Total current and deferred tax relating to Other Comprehensive Income	(755,000)	525,600

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 a higher rate of 20%.

Group and Company	**2015** **£**	**2014** **£**
Profit on ordinary activities before taxation	9,798,111	9,057,201
Corporation tax at 20% (2014: 20%)	1,959,622	1 ,811,440
Effects of:		
Permanent timing differences (i)	(2,214)	195,381
Pension cost contribution in excess of net pension cost charge (ii)	(123,400)	(293,600)
Capital allowances in excess of depreciation (iii)	158,466	(16,016)
Development aid (iv)	(288,393)	(220,977)
Gibraltar corporation tax on profit for the year	1,704,081	1,476,228

9. 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 102 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 102 'Property, Plant and Equipment'.

(iv) Development aid

This represents any development aid allowances that can be set against corporation tax. In respect of the Company these are currently for works carried out on the development of the John Mackintosh Square premises and the investment in the EIG submarine cable system.

10. DIVIDENDS

	Pence per share	2015 £	Pence per share	2014 £
Final dividend paid in respect of the prior year	160.00	2,400,000	146.67	2,200,000
Interim dividend paid in respect of the current year	240.00	3,600,000	246.67	3,700,000
	400.00	6,000,000	393.34	5,900,000

A final dividend of £2,500,000 for the financial year 2015 was approved by the Board of Directors, with the payment effected on 15 March 2016. Following the requirements of GFRS 102 'Events after the End of the Reporting Period' this dividend will be reflected in the 2016 financial statements.

FINANCIAL STATEMENTS

Notes to the financial statements for the year ended 31 December 2015

11. 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 2015	822,150	5,147,915	11,595,359	53,384,653
Additions	6,216,030	-	66,552	3,762,322
Transferred on completion	(4,159,901)	-	-	-
Disposals	-	-	-	-
At 31 December 2015	2,878,279	5,147,915	11,661,911	57,146,975
Accumulated depreciation				
At 1 January 2015	-	514,367	1,658,192	38,841,969
Charge for the year	-	102,236	110,435	4,599,403
Disposals	-	-	-	-
At 31 December 2015	-	616,603	1,768,627	43,441,372
Net book value				
At 31 December 2015	**2,878,279**	**4,531,312**	**9,893,284**	**13,705,603**
At 31 December 2014	**822,150**	**4,633,548**	**9,937,167**	**14,542,684**

	Furniture, office equipment and software £	Motor vehicles £	Total £
Cost			
At 1 January 2015	2,060,696	579,437	73,590,210
Additions	214,001	183,200	10,442,105
Transferred on completion	-	-	(4,159,901)
Disposals	-	(108,424)	(108,424)
At 31 December 2015	2,274,697	654,213	79,763,990
Accumulated depreciation			
At 1 January 2015	1,450,531	418,228	42,883,287
Charge for the year	324,629	92,193	5,228,896
Disposals	-	(108,424)	(108,424)
At 31 December 2015	1,775,160	401,997	48,003,759
Net book value			
At 31 December 2015	**499,537**	**252,216**	**31,760,231**
At 31 December 2014	**610,165**	**161,209**	**30,706,923**

11. TANGIBLE FIXED ASSETS (continued)

(i) Assets under construction/delivery

Assets under construction/delivery represent payments towards the development and expansion of the Company's technology facilities at Mount Pleasant and the costs of the on-going upgrade of the mobile system.

(ii) Assets pledged as security

Properties with a carrying value of £14,424,596 (2014: £14,570,715) are pledged as security for the borrowings of the Company in respect of premises. Details of the loans are disclosed in notes 16 and 17.

(iii) Leasehold land and building

Leasehold land and building consists of one short-term lease of less than 49 years on the Mount Pleasant property and one lease of 150 years on the Haven property in John Mackintosh Square.

12. INVESTMENTS INCLUDED IN FIXED ASSETS

Company	**2015 £**	**2014 £**
At cost, investment in subsidiary		
At 1 January and 31 December	4,000	4,000

The Company owns all the issued share capital of Gibconnect Limited, a non-trading entity.

13. 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). One of the upgrades carried out on the system was finalised during 2015, resulting in a threefold increase in capacity in available MIUs (Minimum Investment Units) over the initial investment. As at 31 December 2015, the Company has made cumulative payments towards the EIG cable totalling £20,149,236 (2014: £19,825,948), 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. Consequently 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.

13. EIG SUBMARINE CABLE (continued)

Group and Company	**2015 £**	**2014 £**
At 1 January	16,165,902	17,369,668
Amounts transferred from 'Assets under construction'	323,288	223,874
Charged to the profit and loss account	(1,427,644)	(1,427,640)
At 31 December	15,061,546	16,165,902

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

EIG submarine cable	**2015 £**	**2014 £**
Fixed assets	13,580,086	14,738,262
Current assets	1,481,460	1,427,640
	15,061,546	16,165,902

14. STOCKS

Group and Company	**2015 £**	**2014 £**
Goods for resale or consumption	947,932	947,932

15. DEBTORS

Group and Company	2015 £	2014 £
Amounts falling due within one year:		
Trade debtors	5,683,230	7,483,646
Other debtors and prepayments	1,437,712	1,083,515
Corporation tax	231,964	466,175
Deferred tax asset on pension liability	1,751,200	2,506,200
EIG submarine cable (see note 13)	1,481,460	1,427,640
	10,585,566	12,967,181
Amounts falling due after more than one year (excluding EIG submarine cable):		
Prepaid capacity use of SMW4 Cable System	627,934	-
Security deposits	48,030	49,291
	675,964	49,291
Total Debtors	11,261,530	13,016,472

Deferred tax asset on pension liability		
Group and Company		
At 1 January	2,506,200	1,980,600
Charged to other comprehensive income	(755,000)	580,702
At 31 December	1,751,200	2,561,302

FINANCIAL STATEMENTS

Notes to the financial statements for the year ended 31 December 2015

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Trade creditors	2,457,246	2,606,670	2,457,246	2,606,670
Amounts due to Group undertakings	-	-	4,000	4,000
Bank borrowings	1,675,546	1,603,467	1,675,546	1,603,467
Other creditors	96,653	104,474	96,653	104,474
PAYE and social insurance	157,210	170,294	157,210	170,294
Corporation tax	544,398	330,787	544,398	330,787
Accruals and deferred income	4,278,658	3,999,163	4,278,658	3,999,163
	9,209,711	8,814,855	9,213,711	8,818,855

Bank borrowings

Gibtelecom has five loan facilities in place, and as at 31 December 2015 the total balance due within one year was £1,675,546 (2014: £1,603,647) and a further £10,837,548 (2014: £12,478,400) is due after one year (note 17).

(i) 15/21 John Mackintosh Square

Mortgage finance on the Company's freehold premises at 15/21 John Mackintosh Square, taken out in June 2010, has a total balance outstanding of £3,064,000 as at 31 December 2015 (2014: £3,064,000). The loan is secured by the lending bank through a first legal charge on the property.

(ii) Mount Pleasant

Mount Pleasant, a building which has always been associated with telecommunications in Gibraltar, currently houses one of the Company's technology centres, the Network Operations Centre and data centres together with some related office facilities. The Mount Pleasant mortgage on this leasehold premises, acquired by the Company from 1 January 2009, has a balance repayable of £1,653,750 (2014: £2,126,250) at 31 December 2015 and is secured by the lending bank through a first legal charge over the property.

(iii) EIG submarine cable system

The EIG (Europe India Gateway) submarine cable consortium comprises various telecommunications companies, including Gibtelecom. 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$31.6m which currently equates to a c4.1% ownership in the EIG consortium. As at 31 December 2015 the balance of the EIG loan of £8,000,000 remaining to be repaid was £4,054,898 (2014: £4,877,502). The bank loan agreement provides for the Company to give various covenants on net tangible assets and borrowings, together with the debt servicing liability.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

(iv) Data centres

This loan was for fitting out the fourth and fifth data centres for hosting customers' equipment that Gibtelecom constructed within its Mount Pleasant premises. As at 31 December 2015, the outstanding balance of the loan was £140,446 (2014: £414,115), and the agreement with the bank is also embraced by the financial covenants referred to immediately above.

(v) Haven building

Gibtelecom purchased the leasehold Haven building in John Mackintosh Square from HM Government of Gibraltar in January 2014. As at 31 December 2015 the balance repayable on the mortgage stood at £3,600,000 (2014: £3,600,000), with the loan secured by the lending bank with a first legal charge over the property. The Haven building, built in 1972, was originally planned to house the then Gibraltar Government Telephone Department. Gibtelecom and its predecessors have occupied since inception part of this building, where some of the Company's fixed, mobile and broadband technologies are housed. The building is located adjacent to Gibtelecom's headquarters at 15/21 John Mackintosh Square, from which it can be accessed. Similarly there is a footbridge connecting the Haven building to the City Hall, which is also partly occupied by Gibtelecom.

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Group and Company	2015 £	2014 £
Mortgage finances		
15/21 John Mackintosh Square	2,834,200	2,987,400
Mount Pleasant	1,181,250	1,653,900
Haven building	3,600,000	3,600,000
Bank borrowings		
EIG submarine cable system	3,222,098	4,096,700
Data centres	-	140,400
	10,837,548	12,478,400
Accruals and deferred income		
EIG onward sale of capacity deferred revenue	3,027,945	2,661,672
	13,865,493	15,140,072

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Notes to the financial statements for the year ended 31 December 2015

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

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	2015 £	2014 £
In more than one year but not more than two years	1,971,600	2,060,000
In more than two years but not more than five years	5,097,448	5,523,100
In more than five years	3,768,500	4,895,300
	10,837,548	12,478,400

See note 16 for the carrying amount of the bank loans falling due within one year at 31 December 2015.

18. PROVISIONS FOR LIABILITIES

Group and Company	Corporate restructuring costs (i) £	Deferred tax liability (ii) £	Total £
At 1 January 2015	(265,595)	(1,262,335)	(1,527,930)
Charged to the profit and loss account	(86,170)	(14,079)	(100,249)
At 31 December 2015	(351,765)	(1,276,414)	(1,628,179)
Provision for net defined pensions benefit scheme deficit (note 22)			(8,755,800)
			10,383,979

18. PROVISIONS FOR LIABILITIES (continued)

(i) Corporate restructuring costs

The Company has in place a corporate restructuring programme that offers employees a voluntary separation package from time to time. As at 31 December 2015, the restructuring costs payable under this programme are estimated to be £351,765 (2014: £265,595), have been fully provided for and are expected to be utilised by 31 December 2016.

In total, as at 31 December 2015, some 47 employees have left Gibtelecom since 2003 under the company's various voluntary separation schemes.

(ii) Deferred tax provision

Group and Company	2015 £	2014 £
At 1 January	(1,262,335)	(1,174,689)
Charged to the profit and loss account	(14,079)	(87,646)
At 31 December	(1,276,414)	(1,262,335)

Deferred tax is provided as follows:

Group and Company	2015 £	2014 £
Accelerated capital allowances	(1,276,414)	(1,262,335)

19. CALLED UP SHARE CAPITAL AND RESERVES

Group and Company	2015 £	2014 £
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

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Notes to the financial statements for the year ended 31 December 2015

19. CALLED UP SHARE CAPITAL AND RESERVES (continued)

	2015 £	2014 £
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.

The profit and loss reserve represents cumulative profits or losses.

20. ANALYSIS OF NET CASH, LIQUID RESOURCES AND BORROWINGS

Group and Company	2015 £	Cash flow movement £	2014 £
Net cash:			
Bank balances	6,021,249	1,833,119	4,188,130
Less: bank loans (notes 17 and 18)	(11,923,620)	2,158,247	(14,081,867)
	(5,902,371)	3,991,366	(9,893,737)

21. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

Group and Company	2015 £	2014 £
Movement in net funds	1,833,119	(2,686,274)
Movement in borrowings	2,158,247	(2,983,920)
Net funds at 1 January	(9,893,737)	(4,223,543)
Net funds at 31 December	(5,902,371)	(9,893,737)

22. PENSION COMMITMENTS

The Company operates two pension schemes for Gibtelecom employees. One for most new joiners to Gibtelecom as determined by the Company and any former GNC employees (Gibraltar Nynex Communications Limited Staff Pension Scheme). 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, and having a new defined contributions scheme.

The normal retirement age of the Company is 65 years of age. 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.

22. PENSION COMMITMENTS (continued)

Actuarial reviews

The Gibraltar Nynex Communications Limited Staff Pension Scheme [GNC Scheme] is a defined benefit pension scheme contracted out to a pensions provider, Clerical Medical Investment Group Limited.

The Company's total contributions to the GNC Scheme for 2015 amounted to £1,904,000 (2014: £2,760,000). 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 (2014: £460,000). There were no exceptional payments effected in respect of voluntary separations in 2015 (2014: £288,630).

The GNC Scheme contributions were based on the independent actuarial valuation as at 1 August 2011 adopted by the Company. 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 ten years from 2012, to cover the shortfall for past service liabilities.

The Gibtel Pension Fund [Gibtel Scheme] is also a defined benefit pension scheme. The Company's total contributions to the Scheme for 2015 amounted to £840,000 (2014: £780,000). This includes the additional annual contribution made during the year which amounted to £549,349 (2014: £523,275).

These Gibtel Scheme contributions were based on an independent actuarial valuation as at August 2011 adopted by the Company. 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 kept 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%.

The latest independent actuarial valuations of the two schemes were carried out as at 1 August 2014, completed in 2016 and the recommendations adopted by the Company.

In respect of the GNC Scheme the employers' contributions are maintained at 32% of basic salaries. The additional annual contribution is £270,000 from 2016 and is to be paid each year for the remainder of the ten years period that commenced in 2014 and ends in 2022. This actuarial valuation as at 1 August 2014 indicated that the GNC Scheme's obligations in respect of past service liabilities exceeded the value of the assets of the Scheme at that date by £2,691,000, with the level of asset cover being 87% at the valuation date.

The actuarial valuation of the Gibtel Scheme as at 1 August 2014, as confirmed by the Company, provide for the employer's contribution to remain at 32% of basic salaries. Employees' contribution remain at 5-6.5%, depending on the individual's circumstances. From 2016 the additional annual contribution is £590,000, to be paid over ten years and increasing by 5% each year. This 2014 Gibtel Scheme valuation indicated that the Scheme's obligations in respect of past service liabilities exceed the value of the assets of the fund at that date by £6,000,000. The level of asset cover is 73% at the valuation date.

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Notes to the financial statements for the year ended 31 December 2015

22. PENSION COMMITMENTS (continued)

Actuarial reviews (continued)

The changes in the additional annual contributions as a result of the independent actuarial valuations of the two schemes carried out as at 1 August 2014 will take effect as from 1 January 2016.

The adjustments made to measure the defined benefit obligations for each scheme are detailed below.

Gibraltar Financial Reporting Standard (GFRS) 102 Section 28 'Employee Benefits'

Valuations of both schemes, for the purposes of GFRS 102 Section 28, were carried out at 31 December 2015 by qualified actuaries.

Under GFRS 102 Section 28 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 and 2015, on the basis of actuarial advice, as set out below.

	2015 %	2014 %	2013 %
Rate of increase in salaries	3.0	3.0	3.5
Rate of increase in pensions payment	3.0	3.0	3.0
Discount rate	3.8	3.7	4.5
Inflation assumption	2.6	2.6	2.9

Mortality Assumptions

The actuaries have determined the assumed life expectation on retirement at age 60 are:

	Valuation in 2015 years	2014 years
Male aged 60 now	3.0	3.5
Male aged 45 now, from 60	3.0	3.0
Female aged 60 now	3.7	4.5
Female aged 45 now, from 60	2.6	2.9

22. PENSION COMMITMENTS (continued)

Gibraltar Nynex Communications Limited Staff Pension Scheme (GNC Scheme)

The analysis of the scheme assets at the balance sheet date was as follows:

	Value at 31 December 2015 £	Value at 31 December 2014 £	Value at 31 December 2013 £	Value at 31 December 2012 £	Value at 31 December 2011 £
Pension Contract	21,245,000	20,187,000	19,041,000	17,077,000	14,376,000
Market value of assets	21,245,000	20,187,000	19,041,000	17,077,000	14,376,000
Present value of liabilities	(23,631,000)	(25,218,000)	(23,324,000)	(19,612,000)	(16,362,000)
Net pension liability	(2,386,000)	(5,031,000)	(4,283,000)	(2,535,000)	(1,986,000)

The scheme has a number of purchased annuities in respect of past retirements valued at £7,511,773 as at 31 December 2015 (2014: £7,289,299). These annuities are understood to fully match the relevant liabilities and so have been excluded from both the assets and the liabilities.

Amounts recognised in the profit and loss account in respect of the defined benefit scheme are as follows:

Analysis of amount charged to operating profit

	2015 £	2014 £
Current service cost	(1,224,000)	(1,001,000)
Past service cost	-	(289,000)
Administration costs incurred during the year	(87,000)	(91,000)
	(1,311,000)	(1,381,000)

Analysis of the amount charged to finance costs

	2015 £	2014 £
Net interest on net defined benefit liability	(176,000)	(161,000)
	(176,000)	(161,000)

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Notes to the financial statements for the year ended 31 December 2015

22. PENSION COMMITMENTS (continued)

Analysis of amount recognised in consolidated statement of other comprehensive income

	2015 £	2014 £
Actuarial gain/(loss) arising during the year	3,154,000	(2,715,000)
Return on plan assets (less)/greater than discount rate	(926,000)	749,000
Actuarial gain/(loss) recognised in consolidated statement of other comprehensive income	2,228,000	(1,966,000)

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit scheme is as follows:

	2015 £	2014 £
Present value of defined benefit obligations	(23,631,000)	(25,218,000)
Fair value of scheme assets	21,245,000	20,187,000

Movement in the present value of defined benefit obligations were as follows:

	2015 £	2014 £
At 1 January	(5,031,000)	(4,283,000)
Current service cost	(1,224,000)	(1,001,000)
Contributions	1,904,000	2,760,000
Past service cost	-	(289,000)
Finance costs	(176,000)	(161,000)
Administration costs incurred during the year	(87,000)	(91,000)
Actuarial gain/(loss)	2,228,000	(1,966,000)
At 31 December	(2,386,000)	(5,031,000)

22. PENSION COMMITMENTS (continued)

Movement in the fair value of scheme assets at the balance sheet date were as follows:

	2015 £	2014 £
At 1 January	20,187,000	19,041,000
Total return on plan assets	(157,000)	1,598,000
Past service costs	-	289,000
Employer contributions	1,904,000	2,471,000
Benefits paid	(602,000)	(3,121,000)
Administrative costs paid	(87,000)	(91,000)
At 31 December	21,245,000	20,187,000

Gibtel Pension Fund (Gibtel Scheme)

The analysis of the scheme assets at the balance sheet date was as follows:

	Value at 31 December 2015 £	Value at 31 December 2014 £	Value at 31 December 2013 £	Value at 31 December 2012 £	Value at 31 December 2011 £
Equities	6,630,600	8,918,700	8,473,000	7,593,000	6,192,000
Debt securities	4,780,200	4,721,400	4,366,000	3,972,000	3,411,000
Cash and other assets	4,009,200	1,609,900	1,501,000	1,225,000	1,897,000
Market value of assets	15,420,000	15,250,000	14,340,000	12,790,000	11,500,000
Present value of liabilities	(21,790,000)	(22,750,000)	(19,960,000)	(18,880,000)	(16,300,000)
Net pension liability	(6,370,000)	(7,500,000)	(5,620,000)	(6,090,000)	(4,800,000)

22. PENSION COMMITMENTS (continued)

Gibtel Pension Fund (Gibtel Scheme) (continued)

Amounts recognised in the profit and loss account in respect of the defined benefit scheme are as follows:

Analysis of amount charged to operating profit

	2015 £	2014 £
Current service cost	(330,000)	(260,000)
Administration costs incurred during the year	(40,000)	(30,000)
	(370,000)	(290,000)

Analysis of the amount charged to finance (costs)/income

	2015 £	2014 £
Net interest on net defined benefit liability	(270,000)	(240,000)
	(270,000)	(240,000)

Analysis of amount recognised in consolidated statement of other comprehensive income

	2015 £	2014 £
Actuarial gain/(loss) arising during the year	1,470,000	(2,220,000)
Return on plan assets (greater)/less than discount rate	(540,000)	90,000
Actuarial gain/(loss) recognised in consolidated statement of other comprehensive income	930,000	(2,130,000)

Notes to the financial statements for the year ended 31 December 2015

22. PENSION COMMITMENTS (continued)

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit scheme is as follows:

	2015 £	2014 £
Present value of defined benefit obligations	(21,790,000)	(22,750,000)
Fair value of scheme assets	15,420,000	15,250,000

Movement in the present value of defined benefit obligations were as follows:

	2015 £	2014 £
At 1 January	(7,500,000)	(5,620,000)
Current service cost	(330,000)	(260,000)
Contributions	840,000	780,000
Finance costs	(270,000)	(240,000)
Administration costs incurred during the year	(40,000)	(30,000)
Actuarial gain/(loss)	930,000	(2,130,000)
At 31 December	(6,370,000)	(7,500,000)

Movement in the fair value of schemes assets at the balance sheet date were as follows:

	2015 £	2014 £
At 1 January	15,250,000	14,340,000
Total return on plan assets	30,000	740,000
Employer contributions	840,000	780,000
Plan particpants' contributions	70,000	70,000
Benefits paid	(730,000)	(650,000)
Administrative costs paid	(40,000)	(30,000)
At 31 December	15,420,000	15,250,000

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22. PENSION COMMITMENTS (continued)

Closing liability – cumulative

The finance cost of £470,000 reflected in the Profit and Loss Account, comprises £200,000 for the GNC Scheme and £270,000 for the Gibtel Scheme as explained above.

	2015 £	2014 £
Net liability on the Gibtel Scheme	(2,386,000)	(7,500,000)
Net liability on the GNC Scheme	(6,370,000)	(5,031,000)
Total defined benefit scheme liability	(8,756,000)	(12,531,000)

23. 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.

Gibtelecom Limited have elected to apply the provisions within the GFRS 102 Section 33.11 and not disclose transactions and balances with HM Government of Gibraltar and other HM Government of Gibraltar controlled entities.

For the year ended 31 December 2014, the Directors also considered 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 had some minor agreements with TS to purchase some technical services.

24. CAPITAL COMMITMENTS

At 31 December 2015 the Company had ongoing commitments for capital expenditure of £4,128,800 (2014: £2,814,300). The latest operational capital budget for 2016 is £8,180,000 (2015: £7,011,000), excluding further EIG submarine cable investment and the Haven building redevelopment.

25. FINANCIAL COMMITMENTS

The Company has annual lease payments totaling approximately £340,000 per annum (2014: £390,800). The Company hold a variety of leases whose terms vary from 1 month notice to 20 years. These leases are reviewed as and when required.

26. 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.

27. SUBSEQUENT EVENTS

The 12 months capital repayment moratorium on the loan facility agreement for £3,600,000 for the Haven building [note 16(v)] has been extended by a further 12 months in February 2016 to allow the Company time to complete the Haven redevelopment project plan. This extension has been reflected in the maturity profile of bank loans disclosure in note 16 and 17. In due course it is intended to combine this existing £3,600,000 loan with some of the redevelopment project costs into one mortgage finance facility.

On 26 August 2016, the Group established a new wholly owned subsidiary Company, Rockolo Limited, to operate its data centre (hosting) services business. Rockolo Limited's share capital is £4,000 as is the case for Gibconnect and the Directors of the company are the Group's CEO, Tim Bristow, and COO, Adrian Moreno, together with Peter Borge (Director Customer Operations).

28. TRANSITION TO GIBRALTAR FINANCIAL REPORTING STANDARD 102 ("GFRS 102")

This is the first year that the company has presented its results under Gibraltar Financial Reporting Standard 102 ("GFRS 102").

The last financial statements under Gibraltar Generally Accepted Accounting Practice ("Gibraltar GAAP") were for the year ended 31 December 2014. The date of transition to GFRS 102 was 1 January 2014.

As a consequence of adopting GFRS 102, a number of accounting policies have changed to comply with the standard.

Reconciliation of equity and profit

	Group and Company	
	At 1 January 2014 £	**At 31 December 2014 £**
Equity shareholders funds reported under previous GAAP	27,705,844	25,761,087
Adjustments to equity on transition to GFRS 102		
Holiday pay accrual	(183,130)	(182,902)
Corporation tax	(2,891)	(35,435)
Equity shareholders funds reported under GFRS 102	27,519,823	25,542,750

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Notes to the financial statements for the year ended 31 December 2015

28. TRANSITION TO GIBRALTAR FINANCIAL REPORTING STANDARD 102 ("GFRS 102") (continued)

Reconciliation of equity and profit (continued)

	Group and company £
Profit for the financial year under previous GAAP	8,054,643
Net movement in holiday pay accrual	230
Defined benefit pension	(529,000)
Corporation tax	(32,546)
Profit for the financial year under GFRS 102	7,493,329

Notes to the reconciliation of equity and profit

The following were changes in accounting policies arising from the transition to GFRS 102:

Holiday pay accrual
Under the previous GAAP, the Group did not accrue for holiday pay that was earned but the holiday entitlement was expected to be taken in the subsequent financial year. Under GFRS 102, the Group is required to accrue for all short-term compensated absences as holiday entitlement earned but not taken at the date of the statement of financial position. The impact is that holiday pay accrued is £183,132 and £182,902 for the Group at 1 January 2014 and 31 December 2014 respectively resulting in a credit of £230 to the income statement for the year ended 31 December 2014, recognising the net decrease in the holiday pay accrual over the year.

Defined benefit pension scheme
Under the previous GAAP the interest on the expected return on net assets was calculated using an expected asset return discount rate. Under GFRS 102 net interest on the net defined benefit pension liability is presented in the profit and loss account using the liability discount rate. This had no impact on shareholders equity on transition but affects the allocation of interest between the profit and loss account and other comprehensive income resulting in an increase in profit arising which was offset by a corresponding increase in other comprehensive income.

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