GIBTELECOM ANNUAL REPORT **2013**

Gibtelecom

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DIRECTORS AND OTHER INFORMATION

Directors

The Board Directors who have held or still hold office over the year.

The Hon Dr Joseph Garcia
Chairman

BRITISH

Tim Bristow
Chief Executive Officer

BRITISH

Brigita Bohorč

SLOVENIAN

Marko Boštjančič

SLOVENIAN

Dilip Dayaram Tirathdas

BRITISH

Tomaž Seljak
from 29 May 2014

SLOVENIAN

Former Director

Zoran Vehovar
from 20 May 2010 to 29 May 2014

SLOVENIAN

Registered office
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

CHAIRMAN'S REVIEW

2013 has been another demanding year for the Company, keeping pace with the rapid technological developments in today's world of communications.

The business continues to grow and expand both at home and abroad, securing Gibtelecom's future as a state-of-the-art telecommunications company.

The steady growth of the business gives the Company a solid foundation on which to continue to develop and invest in the technological infrastructure required for the future. The programme to enhance broadband connectivity throughout Gibraltar, with the rollout of more remote technical offices extending the Company's fibre network to the kerb, is facilitating the delivery of ultrafast broadband services.

In order to place the Company in a position to meet the challenges of the future, Gibtelecom continues to invest in the necessary infrastructure and technology, as well as in its people.

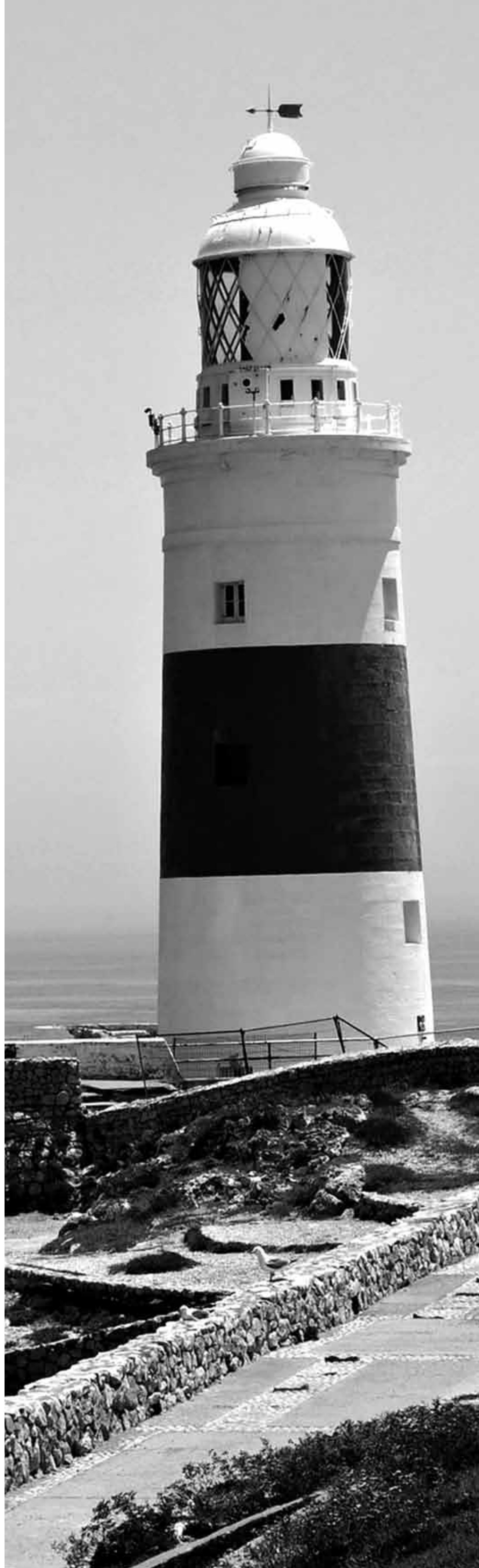
As important is the continued investment in delivering an excellent customer experience. The Company's substantial project to replace and upgrade its existing computerised system for customer services, billing and network management, was also implemented last year. The introduction of the new system should undoubtedly prove its worth in the long run, helping to serve the needs of the business and its customers for many years to come.

Gibtelecom is also securing for itself a role as a global carrier, offering diverse communication routes and Payment Card Industry standard data centre services. The Company's investment in the Europe India Gateway (EIG) submarine cable system continues to facilitate direct connectivity worldwide, with the Company striking a number of new contracts with businesses as far away as the United States, Hong Kong and Australia. The challenge now is to further establish Gibraltar as an international communications hub by leveraging the Company's expanding international points of presence and through forging more partnerships with other communications providers.

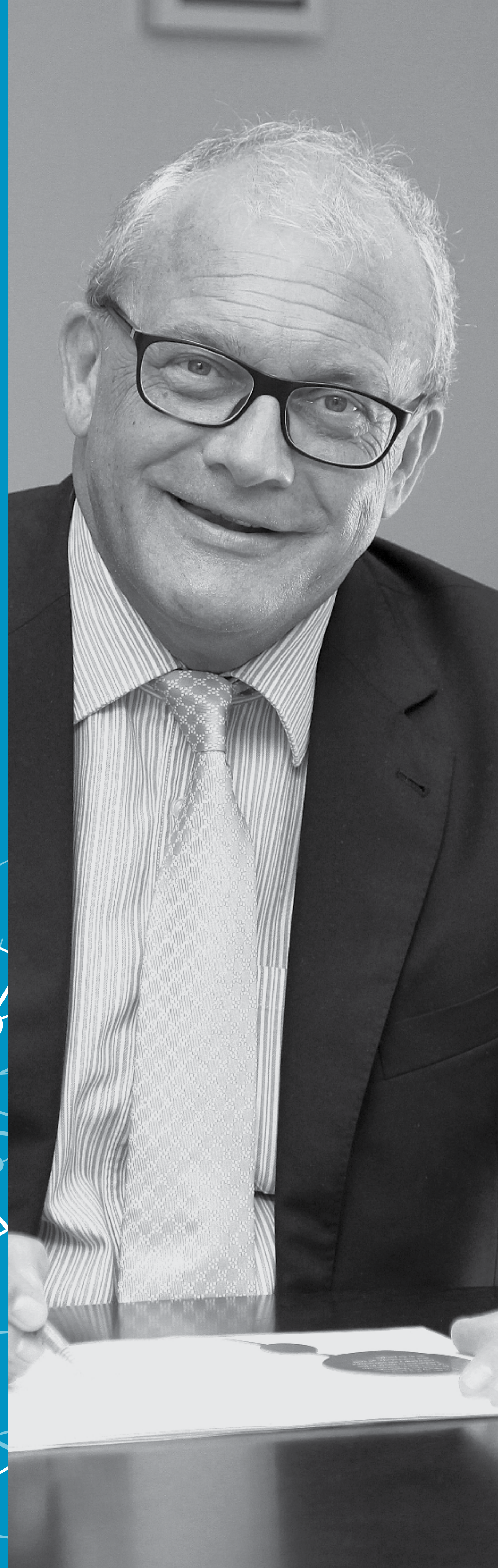
At the same time, the Company remains strongly committed to the local community and its various stakeholders, as well as to safeguarding the environment. In 2013, in conjunction with HM Government of Gibraltar, Gibtelecom embarked on an initiative to have Gibraltar's main tourist locations covered by Wi-Fi; and this year an extensive programme for expanding the Company's mobile data network is underway following the resolution of various planning issues concerning the siting of base stations. The Company's acquisition and redevelopment of the Haven building, adjoining the John Mackintosh Square headquarters, will also in time provide a more secure environment for some of Gibtelecom's telecommunications equipment, as well as the opportunity for business expansion and development.

In order to place the Company in a position to meet the challenges of the future, Gibtelecom continues to invest in the necessary infrastructure and technology, as well as in its people. It is only through taking this holistic approach that the Company can provide a reliable and important service to the entire Gibraltar community and its overseas partners.

Dr Joseph Garcia
Chairman



CHIEF EXECUTIVE OFFICER'S STATEMENT



Overall, 2013 proved to be a year of challenges and opportunities. Keeping in sync with the rapid pace of technological developments has been the main focus of the Company.

The recruitment and retention of highly skilled specialist staff, as well as increasing competitive and regulatory pressures, constitute some of the other challenges that Gibtelecom has had to face.

Notwithstanding this, the Company has been quick to meet new opportunities head-on, both locally and internationally, and as a result has posted good results with business turnover and profitability rising year on year. With mobile data, internet broadband and business enterprise services all experiencing growth, the Company has been able to continue building its European network and investing in key infrastructure programmes at home.

The rollout of superfast broadband technology (VDSL2), extending the Company's fibre network by bringing the associated electronics closer to customers' premises, is one of a number of transformational projects shaping the course ahead. This programme to improve broadband connectivity throughout Gibraltar, gathered momentum in 2013 and by the year-end the new VDSL2 footprint had been extended to some 95% of subscribers. This technology facilitates the delivery to customers of current broadband speeds of 20Mbps or more and there is scope to increase these significantly in the not too distant future to download speeds of up to 100Mbps.

The Company's substantial project to replace and upgrade its computerised system for network records, customer services and billing is another transformational project that was largely completed during the year. The introduction of the new system, though not without its challenges, represents a quantum leap for the Company in terms of managing and packaging our portfolio of products and services. The new system is also helping to enhance the customer experience, with a newly formatted and easier to understand unified bill.

Gibtelecom's quest to secure a role for itself as a global carrier with diverse and robust networks received a major boost in 2013 with the successful connection of the Company's network from Gibraltar to Madrid via Monaco. In addition, the Europe India Gateway (EIG) submarine cable system, activated in 2012, continues to provide route diversification and facilitate direct connectivity worldwide. Our network extension project in Marseilles created another Gibtelecom overseas PoP (point of presence), in addition to those already in London and Madrid. The Company's long-term objective is to continue growing the business overseas and explore the possibility of investing in other international submarine cable opportunities.

We also managed to increase our global roaming footprint and now have agreements in place with some 500 operators in over 160 countries; no mean feat for a small company such as Gibtelecom. The proliferation of smartphones and other mobile devices, such as tablets, has led to an exponential increase in demand from customers for data on the move. Whilst keeping up with this demand and meeting customer expectations has been challenging, the lifting of the moratorium (in place since 2012) on new mobile masts by the planning authorities earlier this year was welcomed, and will do much to ease the pressure and pave the way for a more robust network.

This re-engineering of the Company's mobile footprint will also facilitate the development of fourth generation (4G) broadband connectivity via mobile devices before the end of the current year.

In partnership with HM Government of Gibraltar, the Company also embarked on an initiative to have Gibraltar's main tourist and beach locations covered by Wi-Fi, and is now exploring how this service might be further improved and expanded. A number of pricing and marketing initiatives were also launched in 2013, including further reductions in local and international mobile calls, SMS and data plans.

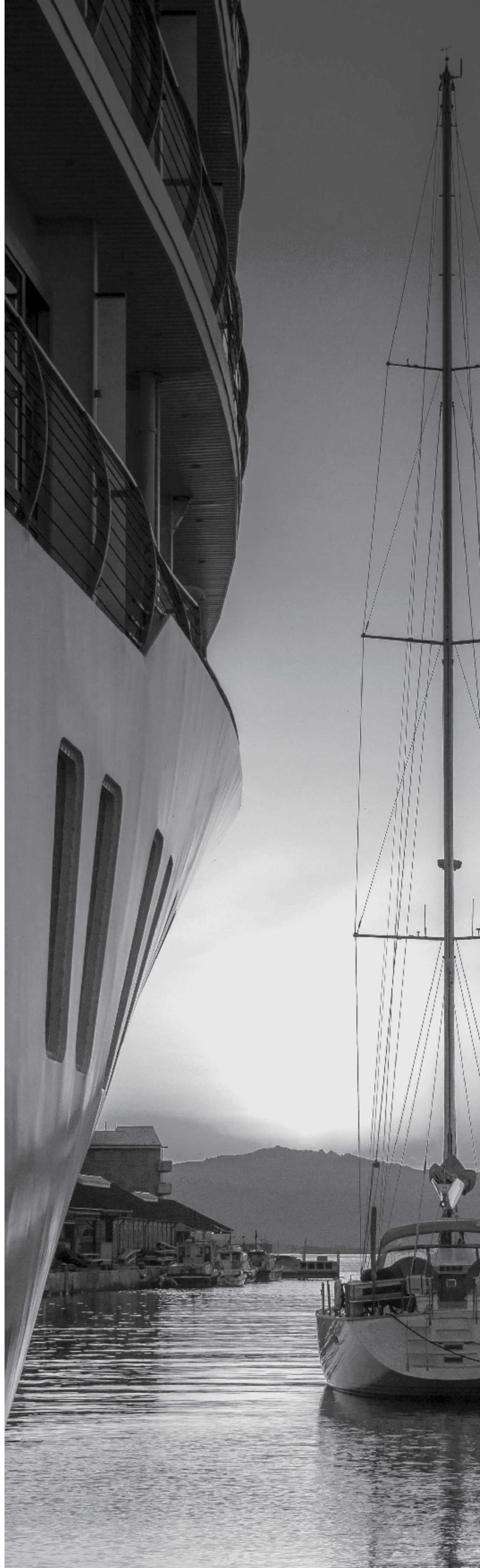
The Company continues to invest in its future, and increasingly this is linked to our people. Recruiting and retaining top technical talent remains one of the key challenges and, to this end, in 2013 we launched a new employer-led degree programme aimed at developing more home-grown technical talent, with the aim of encouraging students to consider technology or scientific degrees. At the same time, Gibtelecom remains committed to the ongoing development of all its employees, and this year, graduates from the Company's apprenticeship scheme were offered employment contracts with the business. As part of its 'investing for growth' philosophy, the Company acquired the Haven building, adjacent to its John Mackintosh Square HQ, which will facilitate the expansion of its technical facilities and house its core Next Generation Network (NGN) technology.

Gibtelecom prides itself on being corporately and socially responsible, and this year we continued our engagement with the local community by supporting many cultural, sporting and educational events and organisations. The Company remains committed to safeguarding the environment and is on track to meeting some specific environmental targets aimed at reducing its power consumption and carbon footprint.

In 2013, the Company took important strides to develop its infrastructure and meet the challenges of the awesome pace of technological change. We have consolidated our position as a burgeoning global carrier and improved our service and product offerings to customers locally. There is still much to be done but I am confident that Gibtelecom has the capability, together with the resources, to remain a telecommunications company of choice for consumers in the years ahead.

Tim Bristow

Tim Bristow
Chief Executive Officer



DIRECTORS' REPORT AND BUSINESS REVIEW FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors present their report, business review and audited financial statements for the year ended 31 December 2013 for Gibtelecom Limited ('Gibtelecom').

The Group has been trading as Gibtelecom since July 2002, and on 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. Gibconnect Limited remains a nominal non-trading company as at 31 December 2013.

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Principal Activities

Gibtelecom is registered in Gibraltar, and its 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. Telekom Slovenije, listed on the Ljubljana Stock Exchange, and the Government of Gibraltar, jointly own the share capital of the Company.

Gibtelecom is authorised under the Communications Act 2006 to provide fixed line, internet, mobile, satellite and other radio-communication services. The Company is also a provider of data centre services and a global communications carrier, with technical points of presence in London and elsewhere in Europe.

Gibtelecom's Core Values

Mission

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

Vision

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

Gibtelecom's Strategies

Retaining customer loyalty

- pricing initiatives
- enhancing the global roaming footprint

Expanding the global business

- expanding the international presence
- exploiting the EIG cable

Building the technology for the future

- progressing the Next Generation Network (NGN)
- consolidating the fixed line and mobile infrastructure
- enhancing data capabilities
- implementing new core IT systems
- investing for expansion

Meeting stakeholder expectation

- delivering service excellence
- achieving targets and undertaking efficiency measures

Being corporately responsible

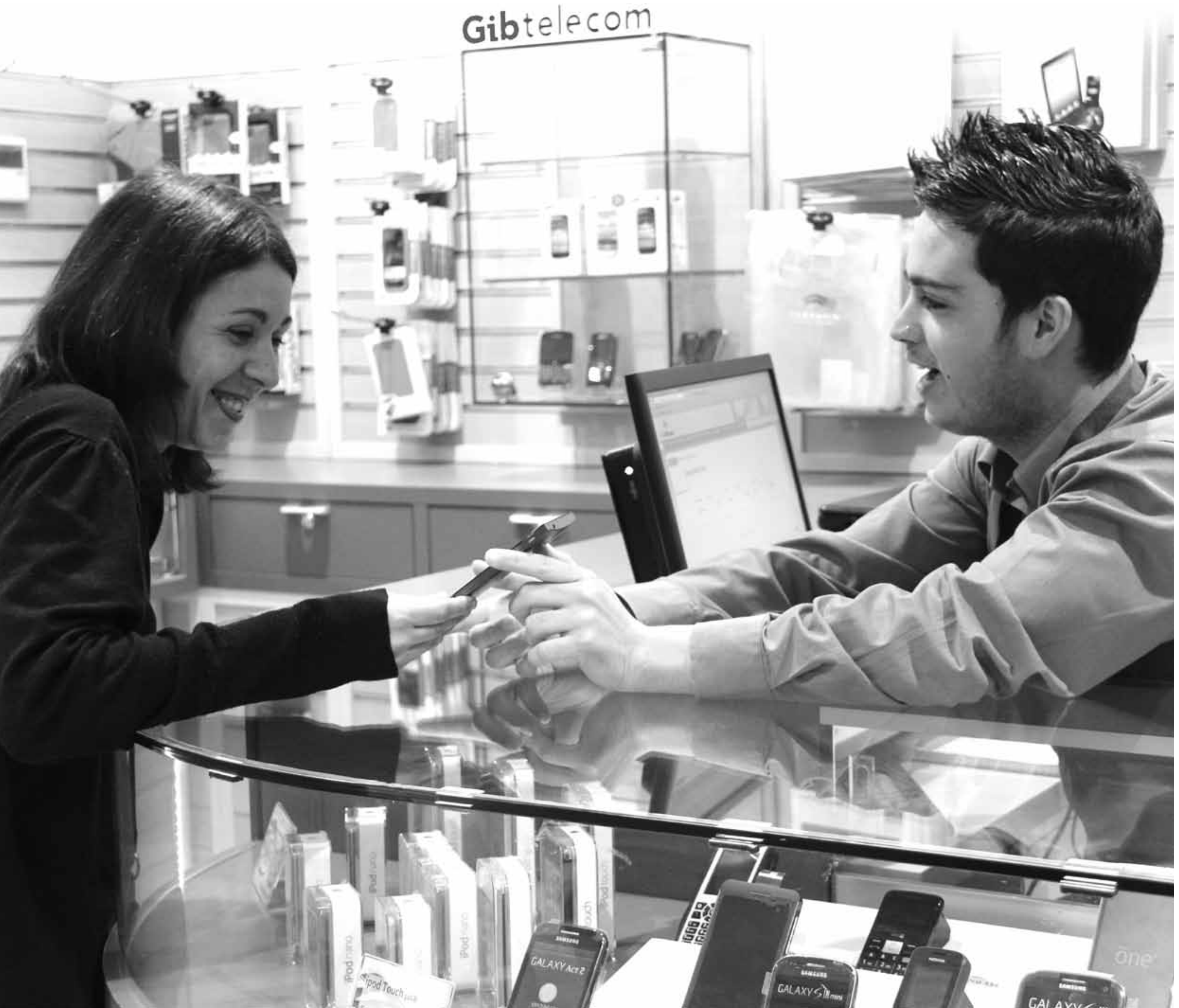
- supporting the community
- investing in employees
- safeguarding the environment
- comprehensive risk assessment

Retaining customer loyalty

Pricing initiatives

A range of pricing and marketing initiatives were launched throughout the year including;

- reductions in local and international mobile calls, SMS and data plans;
- mobile rates while roaming within the European Union (EU) were also reduced on the same day they came into effect (1 July) as part of the EU's roaming regulations; and
- the introduction of a new business grade broadband service for small businesses offering higher upload speeds and improved guarantees.



Overall, Gibtelecom's fixed local voice traffic continues to decline, reducing by some 5% over the period. This is mainly attributable to greater use of mobile phones and the internet, including social networking sites. Both post-paid and prepaid mobile subscribers have continued to grow despite competition. Mobile data subscriptions also increased steadily throughout the period as a result of the greater use of smartphones and tablets.

Broadband subscriptions also increased by some 6% in 2013 and it is estimated that the Company's market share is around 91%. Contracted business grade IP (internet protocol) Flexiband bandwidth also increased during the 12-month period. Although the requirement for point-to-point leased circuits (local and international) decreased during the year, contracted Ethernet bandwidth experienced steady growth. Gibtelecom estimates it has some 65% of the IP Flexiband market and approaching 90% of point-to-point international leased circuits.

Enhancing the global roaming footprint

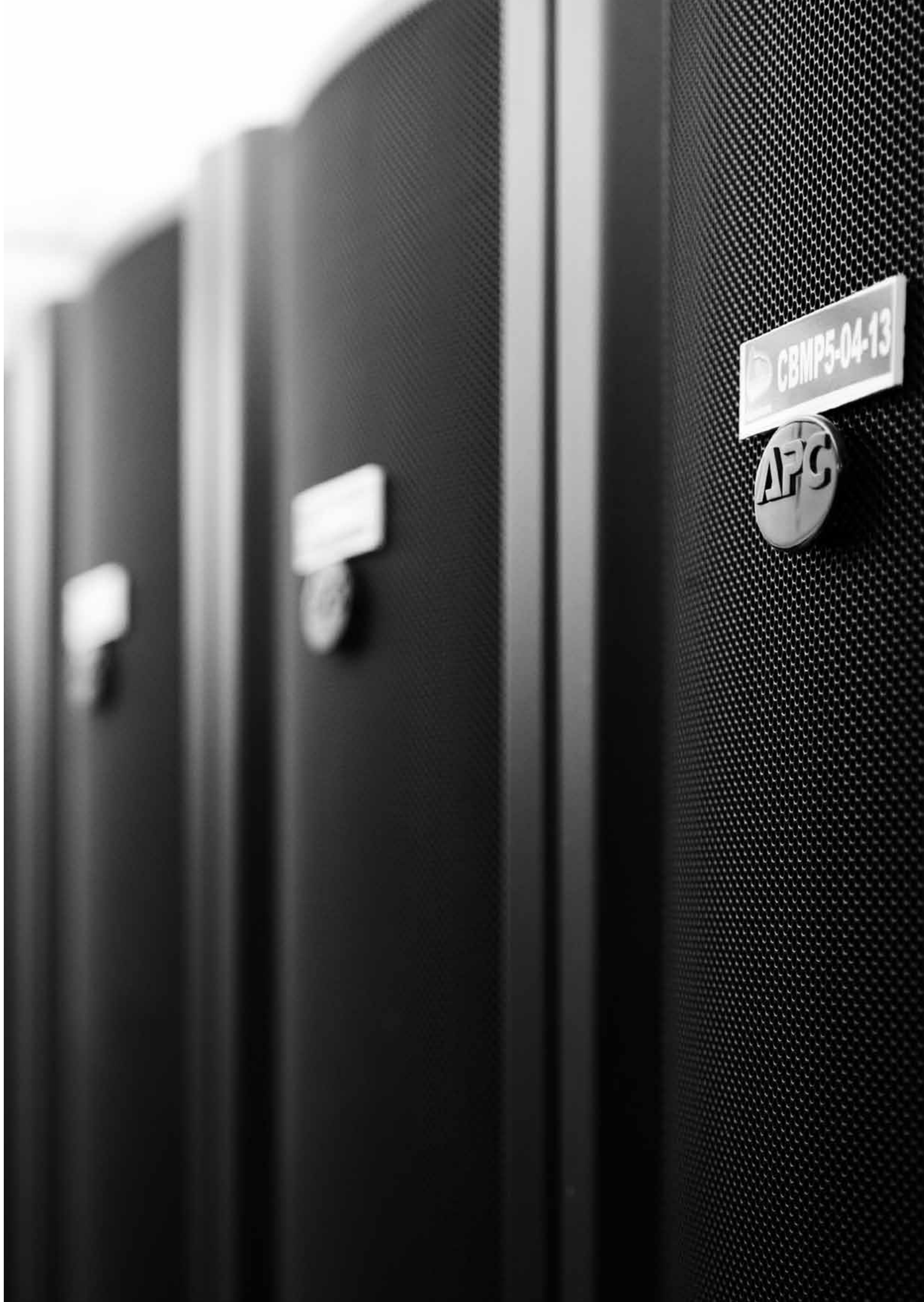
The number of roaming partners with which Gibtelecom has agreements continues to increase. As at the end of 2013, the Company offered customers the ability to use their mobile phones and other mobile devices across the world with 512 operators in over 171 countries. This represents a significant achievement for an enterprise the size of Gibtelecom, which is dependent on larger foreign companies being prepared to enter into partnerships with a smaller entity either directly or through intermediaries, such as dedicated roaming clearing providers.

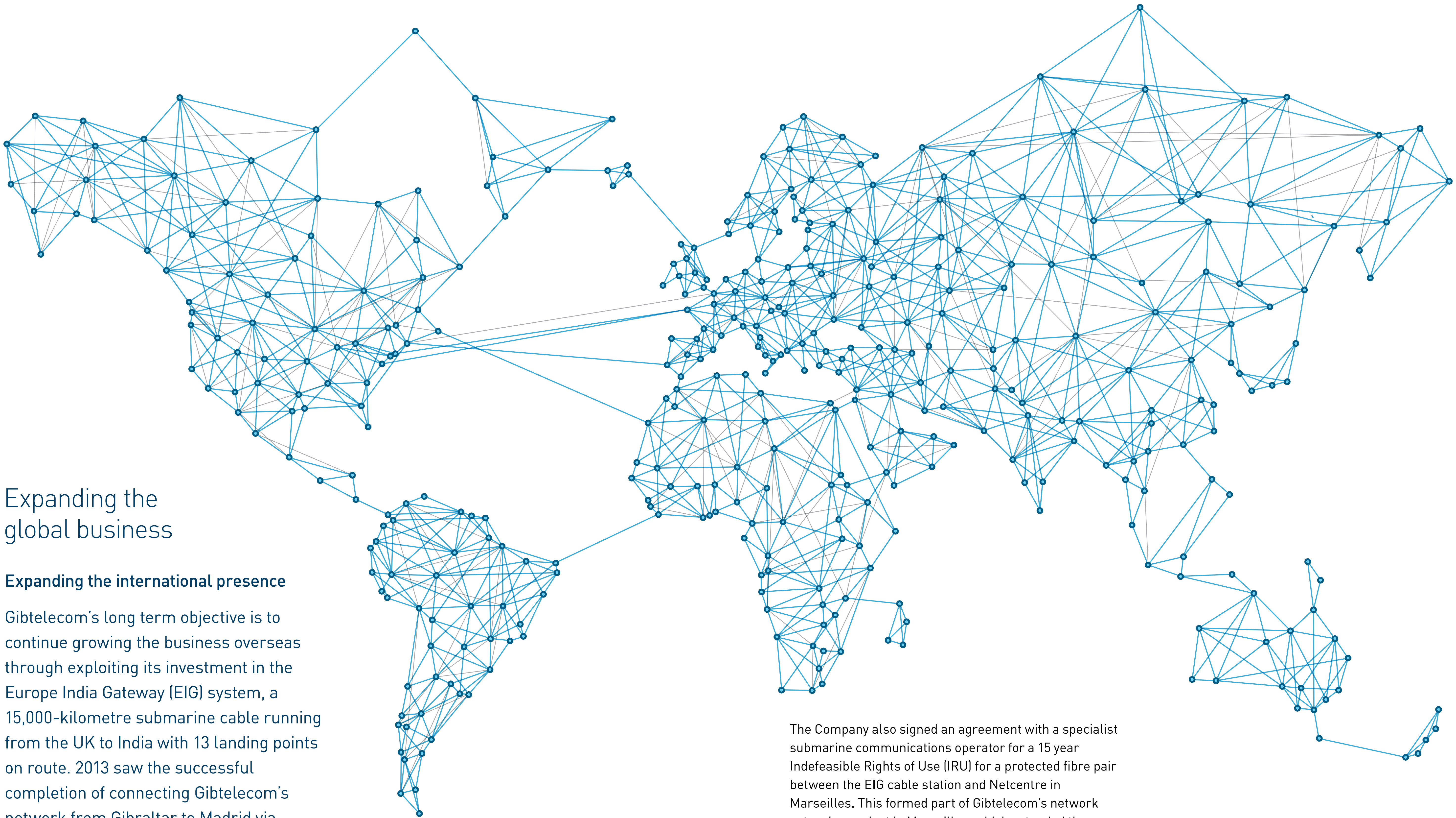
Other initiatives

New mobile shop - following refurbishment works at the Company's Customer Services Centre in John Mackintosh Square, a dedicated mobile counter and helpdesk was launched in the first quarter of 2013. The mobile shop stocks a range of handsets and accessories, with the help desk providing assistance to customers in setting up specific features or data settings on their mobile and internet devices.

New customer bill – With the introduction of the Company's new computerised customer services, billing and network records system, a completely revamped and reformatted bill was introduced in October. The Company's main services, which previously had been shown separately under the same invoice, were merged into one single account. This allows for a more user-friendly and easier-to-follow bill, as well as facilitating technology convergence and more innovative service bundles.

New website feature - a new 'Ask Gibtelecom' feature was launched on the Company's main website. This feature allows customers to submit queries of any kind in a more interactive manner, whilst contributing to the continuous enhancement of the Company's overall online presence. This is yet another way customers can communicate and interact with the Company, complementing the shop, phone, email and social media options already available.





Expanding the global business

Expanding the international presence

Gibtelecom's long term objective is to continue growing the business overseas through exploiting its investment in the Europe India Gateway (EIG) system, a 15,000-kilometre submarine cable running from the UK to India with 13 landing points on route. 2013 saw the successful completion of connecting Gibtelecom's network from Gibraltar to Madrid via Monaco and Marseille, providing a new routing or network resilience for business enterprise customers based in Gibraltar.

The Company also signed an agreement with a specialist submarine communications operator for a 15 year Indefeasible Rights of Use (IRU) for a protected fibre pair between the EIG cable station and Netcentre in Marseilles. This formed part of Gibtelecom's network extension project in Marseilles, which extended the Company's EIG capacity to Netcentre, a carrier neutral site, allowing Gibtelecom IP (internet protocol) access and onward connectivity to other carriers and locations. The project ultimately created another Gibtelecom technical PoP (point of presence) in Marseilles, in addition to the ones in Gibraltar, London and Madrid.

The Company is also in the process of having its London PoP upgraded, facilitating closer connections to customers through improved peering. Further resilience by connecting the Marseille and London PoPs are also in the pipeline.

Exploiting the EIG submarine cable

2013 proved to be a difficult year for the wholesale carrier market, with the EIG system continuing to be frustrated by the delays in completing the second route through Egypt. Nevertheless, over 30% of Gibtelecom's wholesale capacity has been sold and the Company is actively pursuing the sale of an additional 40% of the capacity, retaining the remainder for its own use. In addition, Gibtelecom is participating in the first EIG upgrade in 2014, which will provide the opportunity for the Company to acquire further global capacity on a marginal cost basis.

As part of Gibtelecom's strategy to become a global player, over the course of the year the Company participated in a range of EIG events and conferences.

- Pacific Telecommunications Council in Hawaii in January
- Suboptic conference in Paris in April
- International Telecoms Week in Chicago in May
- Submarine Cable World in Singapore in September
- Capacity Europe in Amsterdam in November

Gibtelecom also attended the International Cable Protection Committee (ICPC) meeting in Miami, in May. The ICPC is a key submarine cable industry organisation, producing industry recommendations that define the minimum standards for cable routes planning, installation, operation, maintenance and protection.

Complementary to this, the Company continued to raise its international profile by taking part in a number of prestigious events. And once again, it sponsored the Foreign Press Association (FPA) Media Awards held in London in October. The awards are dedicated to excellence in journalism and provide an opportunity for British journalists to be recognised by their international peers. Gibtelecom sponsored the 'News Story of the Year Print and Web Award', which was won by Anthony Lloyd of The Times. Gibtelecom was also one of the sponsors of the annual e-Gaming Review (EGR) Awards held in London, presenting the 'Sports Betting Operator' award.

Building the technology for the future

Progressing the Next Generation Network (NGN)

During 2013, Gibtelecom successfully extended its VDSL2 footprint to about 95% of the national fixed-broadband subscriber base.

By embracing a fibre-to-the-cabinet and fibre-to-the-basement strategy, customers now reside within a 600 metres radius of the VDSL2 technology. Going forward, it is envisaged that with the introduction of enhancements and continued expansion plans, a large proportion of the territory will shortly have the facility to access download speeds of up to 100Mbps.

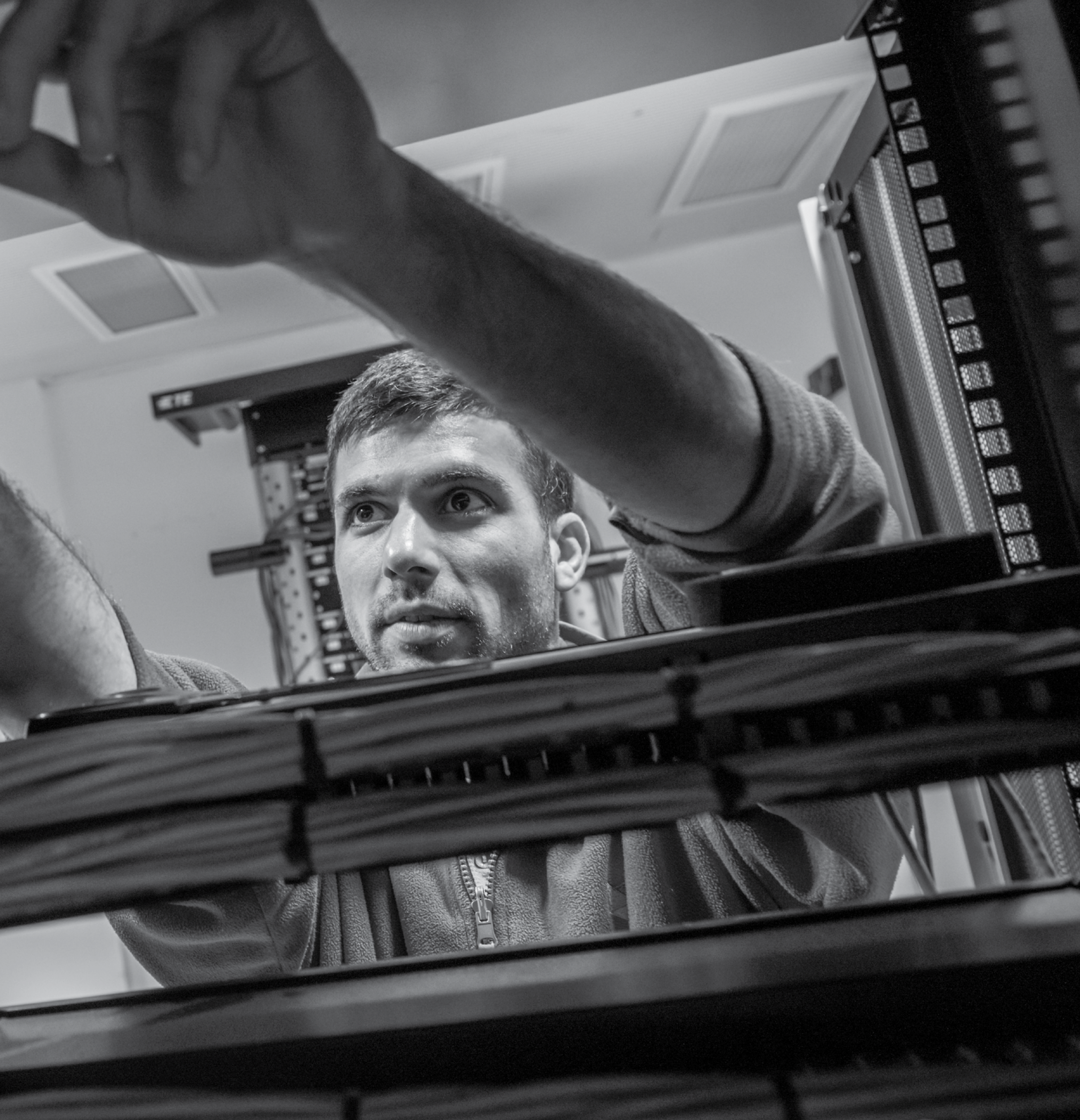
As part of this superfast broadband rollout, many new street cabinets containing essential electronics and fibre nodes were commissioned in 2013. Gibtelecom currently has 12 fixed line Remote Concentrator Units (RCU) located around Gibraltar, but these will increase to a number approaching 50 remote offices, once all the required street cabinets for the new network are in place. Following a recommendation from the Development and Planning Commission, some of the street cabinets are being beautified and made more aesthetically pleasing, with tourist information being displayed on the cabinets.

Consolidating the fixed line and mobile infrastructure

During the course of the year, the Company completed the expansion and refurbishment programme of its Remote Concentrator Units (RCUs) and other equipment rooms sited around Gibraltar.

Other projects in 2013 included:

- the rehabilitation of the cabling of several Distribution Points linked to the new remote offices;
- standardising the monitoring and security systems across some 50 remote sites; and
- expanding the in-buildings' mobile signalling systems.



Enhancing data capability

The release of HM Government of Gibraltar's policy on the 'Installation of Mobile Phone Antennae' in September 2013 lifted the moratorium on new mobile masts that had been in place for over a year. Consequently, Gibtelecom commissioned an in-depth study and review of the existing radio coverage patterns and the propagation of mobile signals, drawing on external specialists as to how best to address challenging topographies using lower power levels. Following on from this, the Company applied to the Development and Planning Commission (DPC) to increase the number of mobile sites across Gibraltar.

The Company also undertook preparatory work for the introduction of the fourth generation (4G) mobile network, by upgrading switched nodes and enhancing its data management capabilities. In addition, the fixed line IP (internet protocol) distribution nodes were also enhanced to handle more traffic and routes. The Gibraltar telecoms regulator has recently awarded Gibtelecom one of three 4G mobile licences, conditional on the Company being able to launch superfast mobile broadband services towards the end of 2015.

In conjunction with HM Government of Gibraltar, Gibtelecom also provided Wi-Fi hotspots at a number of tourist sites throughout the territory. A total of 18 locations, embracing Gibraltar's main places of interest, public locations and beaches, were designated as Wi-Fi hotspots with free access to official Gibraltar information websites.

Implementing new core IT systems

Gibtelecom's new computerised system for all customers' services, billing and network records, went live in September 2013. The new system, called CRM Plus, handles over one hundred million real- time communications records and supports all of Gibtelecom's fixed line, mobile, broadband and business enterprise services. In March Gibtelecom had signed a contract with a provider of next generation systems, for the supply of a dynamic computerised management system replacing ICMS (Integrated Customer Management System) that had been operational in the business for a number of years.

CRM Plus also represents a major innovation for the Company in terms of packaging its expanding range of products and services. The new system will enable Gibtelecom to manage its triple play portfolio of services (fixed, mobile and internet) through a single and unified user interface. This will better facilitate the rollout of new products and packages across both the general consumer and business enterprise segments.

Investing for expansion

Gibtelecom completed the purchase of the Haven building from HM Government of Gibraltar in January 2014. The building, which until recently housed the Government's Treasury and other public sector offices, has been acquired on a 150 years' lease for £5.8 million. The building is connected to Gibtelecom's John Mackintosh Square headquarters and will facilitate the expansion of the technical facilities in the Haven building and allow the Company to house, among other things, its next generation communications switch that will eventually replace the System X exchange located in the adjoining City Hall. Although a medium-term project, the re-parenting of the System X exchange needs to be planned at an early stage to allow for the extensive rehabilitation of the extensive copper and fibre cables running to and from City Hall. This redevelopment should also facilitate the eventual removal of the bridge connecting the Haven building to City Hall.

The growth in demand for hosting customers' equipment within Gibtelecom data centres slowed down during 2013, primarily due to competitive market conditions and developments in the industry more generally. Nevertheless, the number of hosted racks increased from 163 in January 2013 to 180 by the year-end, which was made possible by the construction of another data centre at the Company's Mount Pleasant base. Gibtelecom now has five data centres for commercial hosting, all located well above sea level and with resilient communications and power supplies, and certified to Payment Card Industry Standards.

The Company continues to invest in developing home grown technical talent through its sponsored graduate and higher-level internship programmes.

In 2013, Gibtelecom looked to recruit for a new employer-led degree programme, which would see students having careers with the Company and bursaries paid each term. Successful applicants would also have guaranteed vacation jobs and a golden handshake on taking up employment if they attained a 2:1 honours degree. The programme was aimed at top students achieving good science 'A' level results and degrees must be related to engineering and other technology or science disciplines, but interest was low and as a consequence none of these new scholarships were launched in 2013.

The Company has run similar programmes in the past, which have seen 14 students sponsored over the last 10 years, with five of those being employed. This strategy further complements temporary employment to local university students studying abroad during their summer breaks. In total, 34 students were hired in 2013, with a total of some 500 others taking on temporary jobs since the inception of the scheme in 1993.

In 2013, Gibtelecom looked to recruit for a new employer-led degree programme, which would see students having careers with the Company and bursaries paid each term.

Meeting stakeholders' expectations

Delivering service excellence

Gibtelecom continued to deliver service excellence and remain responsive to both customers' and partners' needs. To this end, the Company again conducted bi-annual independent customer satisfaction surveys in April and October 2013. The surveys provide vital feedback and understanding of customers' requirements and concerns, as well as feeding into the setting of the Company's challenging performance targets.

Other key achievements in this area during 2013 included retaining the ISO 9001:2008 Quality Management Systems certification. The Company also plans to seek reaccreditation of its European Foundation for Quality Management (EFQM) 'Recognised for Excellence', aiming for the higher 5 star award.

Achieving performance targets

The turnover of the business increased year on year by over 8% to c£42 million. Gibtelecom's profit on ordinary activities after taxation for the 12 months to 31 December 2013 was £9 million, up on the previous year. More information on these amounts can be found in the financial statements and notes to the accounts.

The Directors declared dividends from the 2013 earnings of £5.8 million, of which £3.6 million was paid as an interim dividend in December 2013, with the final dividend of £2.2 million being declared in December and paid in March 2014. This equates to £2.9 million being paid to each shareholder in respect of the 2013 earnings. The total dividend for the financial year 2012 was £6.7 million.

Gibtelecom's profit on ordinary activities after taxation for the 12 months to 31 December 2013 was £9 million, up on the previous year.

Being corporately responsible

Supporting the community

The Company aims to secure its continued involvement with the community by supporting educational, cultural, youth and sports organisations and charities. This not only puts resources back into the community to make a difference where needed but also helps strengthen the Gibtelecom brand.

One of the key projects for 2013 was developing the community chess professional project, which saw Grandmaster Stuart Conquest engaged by Gibtelecom as a Community Chess Professional to further develop and promote chess throughout Gibraltar. Mr Conquest embarked on an extensive programme to extend the playing of chess in local schools; supporting the local chess clubs; participating through giving chess classes as part of the Gibraltar Sports & Leisure Authority (GSLA) sponsored 'Summer Sports' programme; and organising outdoor chess initiatives as part of the Ministry of Culture's sponsored 'Summer Nights ' programme.

Another flagship project was to financially support the new Gibraltar Heritage Trust shop at John Mackintosh Square, following the restoration of this old building. Gibtelecom is also in discussions with the Trust about how Gibtelecom can support some enhanced communications technology for the organisation.

During the course of the year, Gibtelecom supported nine charities, twenty-two cultural and twenty- five sporting organisations.

- Tradewise International Chess Festival, which attracted over 300 players from 54 international federations, including 51 grandmasters, and is now one of the leading open tournaments in the world. The website again attracted millions of visitors. Gibtelecom provided financial as well as technical support.
- GBC Sports Awards, to which the Company donated its share of the revenue from premium lines used for tele-voting (which received a record number of calls), with the proceeds going towards the GBC Open Day Fund to benefit local charities.
- Refurbished surplus vehicles donated to a number of local charities.

Investing in employees

Gibtelecom launched a Project Management Development Programme for management. The programme was run in a similar style as its predecessors, the Management Development Programme and Gibtelecom Development Programme, and focused on enhancing and developing project management skills throughout the organisation.

Another highlight of the year was the graduation of members of the second intake of Gibtelecom's apprentices who successfully completed their BTEC (British Technical Education Council) Certificate in Communication Technology Practitioners Level 3. This was a continuation of their apprenticeship qualifications, having already completed NVQ (National Vocational Qualification) Level 1 in Performing Engineering Operations. All graduating apprentices have been taken on as Gibtelecom employees, serving in different parts of the business.

As part of the voluntary separation programme that was offered in December 2012, eleven employees left the Company in 2013, with four more due to depart this year. As at the end of the 2013 financial year, 43 employees have left employment under various voluntary separation schemes. The schemes provide for better qualified people to be recruited thus permitting the Company to be best placed to meet future challenges.

Safeguarding the environment

In 2013, the Company continued with its commitment of achieving specific environmental targets.

- Reduction of overall power consumption through extending the use of small footprint power- saving computers with additional energy efficient screens.
- Virtualisation of production servers within the IT department, with more virtual servers installed than physical ones resulting in a power reduction of 27%.
- Increasing the efficiency of data centre operations through the lowering of Power Usage Efficiency (PUE) levels.

Gibtelecom is also developing a comprehensive Company-wide power consumption reduction strategy, with set benchmark levels of power consumption for all in-house technical and non-technical areas.

Other "green" initiatives in 2013 included the:

- reduction of in-house printing;
- promotion of email bills and on-line services. As from July call itemisation on printed bills is now only produced on the customer's request;
- safe and environmentally-friendly disposal or recycling of equipment and materials; and
- procurement of all new vehicles in line with the EU's carbon emission targets.

Comprehensive risk assessment

Gibtelecom has been using a "Corporate Governance Compliance Checklist" for some time, which was developed to assist both the Board of Directors and senior management to assess and manage compliance with the requirements of good governance, accountability and risks across a wide spectrum of areas. This year an in-depth analysis is to be carried out to develop a more detailed risk management framework for the Company going forward.

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 two 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 judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and 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

F Brancato
Company Secretary
Gibraltar

11 September 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GIBTELECOM LIMITED

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 2013 which comprise the consolidated profit and loss account, the statement of group total recognised 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 2013 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;
- 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;
- if information specified by law regarding Directors' remuneration and other transactions is not disclosed;
- we have not received all the information and explanations we require for our audit.

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

11 September 2014

FINANCIAL STATEMENTS CONTENTS

Consolidated profit and loss account
for the year ended 31 December 2013

	NOTES	2013 £	2012 £
TURNOVER	3	**41,954,964**	38,686,150
OPERATING EXPENSES			
Payments to other telecommunications administrators		**(3,155,453)**	(3,104,080)
Other external charges		**(5,248,282)**	(4,956,416)
Staff costs	4	**(9,071,516)**	(8,128,337)
Corporate restructuring costs	18	**(451,943)**	(1,741,561)
Depreciation	11	**(4,467,276)**	(3,828,167)
EIG amortisation	13	**(1,411,432)**	(820,974)
Other operating charges	7	**(7,378,632)**	(7,066,936)
Total operating expenses		**(31,184,534)**	(29,646,471)
Group operating profit		**10,770,430**	9,039,679
Gain on disposal of tangible fixed assets		**2,000**	169,517
Interest receivable on bank deposits		**7,367**	47,494
Interest payable and similar charges	8	**(384,643)**	(488,241)
Other finance costs	25	**(78,000)**	(238,000)
Profit on ordinary activities before taxation		**10,317,154**	8,530,449
Tax on profit on ordinary activities	9	**(1,332,739)**	(1,736,607)
Profit on ordinary activities after taxation	21	**8,984,415**	6,793,842
Dividends	10	**(5,800,000)**	(6,700,000)
Retained profit for the financial year	22	**3,184,415**	93,842

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, Gibconnect Limited, is non-trading.

The notes on pages 46 to 70 form part of these financial statements.

Statement of group total recognised gains and losses
for the year ended 31 December 2013

	NOTES	2013 £	2012 £
Profit for the financial year	21	**8,984,415**	6,793,842
Actual return less expected return on pension scheme assets	25	**853,000**	773,000
Changes in assumptions underlying the present value of the pension scheme liabilities	25	**(2,932,000)**	(3,819,000)
Prior year adjustment	2	**-**	(455,703)
Movement in deferred tax relating to pension asset	18	**255,600**	367,800
Total recognised gains since last annual report		**7,161,015**	3,659,939

The notes on pages 46 to 70 form part of these financial statements.

Balance sheet as at 31 December 2013

	NOTES	GROUP 2013 £	GROUP 2012 £	COMPANY 2013 £	COMPANY 2012 £
Fixed assets					
Tangible assets	11	**25,535,161**	26,783,613	**25,535,161**	26,783,613
Investments	12	**-**	-	**4,000**	4,000
EIG submarine cable	13	**15,942,028**	17,123,219	**15,942,028**	17,123,219
		41,477,189	43,906,832	**41,481,189**	43,910,832
Current assets					
Stocks	14	**1,127,128**	1,089,483	**1,127,128**	1,089,483
Debtors	15	**10,342,633**	8,726,130	**10,342,633**	8,726,130
Cash at bank and in hand	24	**6,874,404**	6,849,133	**6,874,404**	6,849,133
		18,344,165	16,664,746	**18,344,165**	16,664,746
Creditors: amounts falling due within one year	16	**(12,788,649)**	(13,675,130)	**(12,792,649)**	(13,679,130)
Net current assets		**5,555,516**	2,989,616	**5,551,516**	2,985,616
Total assets less current liabilities		**47,032,705**	46,896,448	**47,032,705**	46,896,448
Creditors: amounts falling due after more than one year	17	**(9,272,082)**	(11,099,669)	**(9,272,082)**	(11,099,669)
Provisions for liabilities and charges	18	**(2,132,379)**	(2,551,950)	**(2,132,379)**	(2,551,950)
Net assets excluding pension liability		**35,628,244**	33,244,829	**35,628,244**	33,244,829
Pension liability	25	**(7,922,400)**	(6,900,000)	**(7,922,400)**	(6,900,000)
Net assets including pension liability		**27,705,844**	26,344,829	**27,705,844**	26,344,829
Capital and reserves					
Called up share capital	19	**15,000**	15,000	**15,000**	15,000
Share premium account	20	**14,985,000**	14,985,000	**14,985,000**	14,985,000
Profit and loss account	21	**12,705,844**	11,344,829	**12,705,844**	11,344,829
Equity shareholders' funds	22	**27,705,844**	26,344,829	**27,705,844**	26,344,829

Approved by the Board on 11 September 2014

TJ Bristow
Director

M Boštjančič
Director

The notes on pages 46 to 70 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 December 2013

	NOTES	2013 £	2012 £
Net cash flow from operating activities	23	**13,328,198**	17,132,880
Returns on investments and servicing of finance			
Interest received		**7,367**	47,494
Interest paid		**(397,276)**	(488,241)
Net cash outflow from return on investments and servicing of finance		**(389,909)**	(440,747)
Corporation tax paid		**(1,663,663)**	(1,633,864)
Capital expenditure and financial investments			
Sale of tangible fixed assets		**2,000**	169,517
Payments to acquire tangible fixed assets		**(3,449,067)**	(5,357,005)
Net cash outflow for capital expenditure and financial investment		**(3,447,067)**	(5,187,488)
Equity dividends paid		**(5,800,000)**	(6,700,000)
Financing			
Repayment of bank borrowings		**(2,002,288)**	(1,908,917)
Net cash outflow from financing	24	**(2,002,288)**	(1,908,917)
Increase in cash	24	**25,271**	1,261,864

The notes on pages 46 to 70 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 2013. 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, 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 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 building	2%

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

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

Impairment

Financial assets are subject to impairment review in accordance with Gibraltar Financial Reporting Standard (FRS) 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.

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 Financial Reporting Standard (FRS) 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 FRS 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.

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.

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

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 13).

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 the year

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 fund 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 current year financial statements.

The cumulative impact of the shortfall is summarised below.

GROUP AND COMPANY	**CUMULATIVE IMPACT**	**2013 £**	2012 £	2011 AND PRIOR YEARS £
Write off included in 'other operating charges'	**(740,632)**	**(104,511)**	(180,418)	(455,703)

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.

	2013 £	2012 £
Fixed line	**7,643,596**	7,543,847
Wireless	**12,057,616**	11,217,441
Internet	**4,803,233**	4,436,610
Leased circuits	**12,959,617**	11,371,765
EIG cable	**1,283,885**	1,101,078
Other	**3,207,017**	3,015,409
	41,954,964	38,686,150

4. Staff costs

GROUP AND COMPANY STAFF COSTS	**2013** **£**	2012 £
Wages and salaries	**7,121,637**	6,769,714
Social security costs	**267,607**	269,157
Pension costs	**1,682,272**	1,089,466
	9,071,516	8,128,337

Pension costs are calculated by the actuary in line with FRS 17 to show the calculated current and past service costs of the schemes. These totalled £1,646,000 in 2013 (2012: £1,080,000). The difference to the figures reported above reflects other pension costs/credits incurred/received by Gibtelecom that are not included within the FRS 17 assessments by the actuaries.

5. Employee information

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

GROUP AND COMPANY	ACTUAL AS AT 31 DECEMBER		AVERAGE FOR THE YEAR	
	2013	2012	**2013**	2012
	No	No	**No**	No
By Directorate				
Chief Executive Officer: Chief Operations Officer, Legal, Corporate Affairs, Regulatory and Finance	**15**	17	**16**	17
Technical Director: Information Technology, Internet, Wireline, Wireless and Next Generation Networks	**42**	41	**40**	39
International Director: Marketing and Business Development	**4**	4	**4**	4
Associate Director Customer Relations: Customer Services and Network Operations Centre	**45**	44	**44**	43
Associate Director Resources: Human Resources, External Plant and Infrastructure	**42**	44	**43**	42
Apprentices	**3**	8	**7**	**14**
Total	**151**	158	**154**	**159**

During the course of the year, the Company underwent a reorganisation whereby a Chief Operations Officer, four Associate Directors and two Heads of key corporate functions were created in line with the Company's succession planning programme. This, coupled with the retirement of the Business Director, has resulted in changes to senior management responsibilities. The comparatives have been restated to reflect these changes and achieve consistency with the presentation of the current year figures.

6. Directors' emoluments

The Directors of Gibtelecom did not receive emoluments from the Company for their services as directors during the year (2012: £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. Other operating charges

GROUP AND COMPANY	**2013** **£**	2012 £
Included in other operating charges are:		
Operating lease charges on rented properties	**347,746**	306,232
Impact on profit and loss arising from misappropriated funds	**104,511**	180,418

8. Interest payable

GROUP AND COMPANY	**2013** **£**	2012 £
Interest payable on mortgage financing and bank loans	**384,643**	488,241

9. Tax on profit on ordinary activities

a) Analysis of charge for the year

GROUP AND COMPANY	**2013** **£**	2012 £
Current tax		
Gibraltar corporation tax on profit for the year	**(968,439)**	(1,109,452)
Deferred tax		
Deferred tax movement on capital allowances (see note 18)	**(149,379)**	(841,986)
Deferred tax movement on corporate restructuring costs (see note 18)	**(214,921)**	214,921
Tax on profit on ordinary activities	**(1,332,739)**	(1,736,607)

9. Tax on profit on ordinary activities (continued)

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	2013 £	2012 £
Profit on ordinary activities before taxation	**10,317,154**	8,530,449
Corporation tax at 20% (2012: 20%)	**2,063, 431**	1,706,090
Effects of:		
Permanent timing differences (i)	**(1,797)**	(491)
Pension cost contribution in excess of net pension cost charge (ii)	**(160,200)**	(241,400)
Capital allowances in excess of depreciation (iii)	**(105,871)**	(478,437)
Corporate restructuring costs (iv)	**(214,921)**	214,921
Losses charged to prior year reserves (v)	**-**	(91,141)
Development aid (vi)	**(612,203)**	-
Gibraltar corporation tax on profit for the year	**968,439**	1,109,542

(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 FRS 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 FRS 15 'Tangible Fixed Assets'.

(iv) Corporate restructuring costs paid
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 has been reversed.

(v) Losses charged to prior year reserves
This tax adjustment occurred in the financial year ending 31 December 2012 due to the prior year adjustments and is explained in note 2.

(vi) 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.

10. Dividends

	PENCE PER SHARE	2013 £	PENCE PER SHARE	2012 £
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	**240.00**	**3,600,000**	300.00	4,500,000
	386.67	**5,800,000**	446.67	6,700,000

A final dividend of £2,200,000 for the financial year 2013 was approved at the Board of Directors meeting held on 13 March 2014, and effected on 25 March 2014. Following the requirements of FRS 21 'Post balance sheet events' this dividend will be reflected in the 2014 financial statements.

11. Tangible fixed assets

GROUP AND COMPANY	ASSETS UNDER CONSTRUCTION/ DELIVERY £	FREEHOLD LAND AND BUILDING £	LEASEHOLD LAND AND BUILDING £	PLANT AND EQUIPMENT £	FURNITURE, OFFICE EQUIPMENT AND SOFTWARE £	MOTOR VEHICLES £	TOTAL £
COST							
At 1 January 2013	3,255,893	5,113,519	5,414,004	46,734,385	1,699,254	547,774	62,764,829
Additions	1,065,138	34,396	-	3,995,538	236,170	72,865	5,404,107
Transferred on completion	(2,185,282)	-	-	-	-	-	(2,185,282)
Disposals	-	-	-	-	-	(40,282)	(40,282)
At 31 December 2013	**2,135,749**	**5,147,915**	**5,414,004**	**50,729,923**	**1,935,424**	**580,357**	**65,943,372**
Accumulated depreciation							
At 1 January 2013	-	310,914	452,081	33,793,490	1,072,752	351,979	35,981,216
Charge for the year	-	102,188	113,350	3,929,945	242,209	79,584	4,467,276
Disposals	-	-	-	-	-	(40,281)	(40,281)
At 31 December 2013	-	**413,102**	**565,431**	**37,723,435**	**1,314,961**	**391,282**	**40,408,211**
Net book value							
At 31 December 2013	**2,135,749**	**4,734,813**	**4,848, 573**	**13,006,488**	**620,463**	**189,075**	**25,535,161**
At 31 December 2012	3,255,893	4,802, 605	4,961,923	12,940,895	626,502	195,795	26,783,613

(i) Assets under construction/delivery
Assets under construction/delivery represent payments towards the expansion of the computer hosting business through developing the Company's data centres at Mount Pleasant; payments towards a replacement 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 £9,583,386 (2012: £9,764,528) is pledged as security for the borrowings of the Company in respect of premises. Details of the loans are disclosed in note 16.

(iii) Leasehold land and building
Leasehold land and building consists of a short-term lease of less than 50 years.

12. Investments included in fixed assets

COMPANY	2013 £	2012 £
At cost, investment in subsidiary		
At 1 January and 31 December	**4,000**	4,000

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). As at 31 December 2013, the Company has made cumulative payments towards the EIG cable totalling £19,602,074 (2012: £19,351,577), entitling the Company to c4.3% of the EIG's total capacity at that time. 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.

The total payments to 31 December 2013 of £19,602,074 (2012: £19,351,577) were therefore 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.

GROUP AND COMPANY	2013 £	2012 £
At 1 January	**18,530,603**	-
Amounts transferred from 'Assets under construction'	**250,497**	19,351,577
Charged to the profit and loss account	**(1,411,432)**	(820,974)
At 31 December	**17,369,668**	18,530,603

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.

EIG SUBMARINE CABLE	2013 £	2012 £
Fixed assets	**15,942,028**	17,123,219
Current assets	**1,427,640**	1,407,384
	17,369,668	18,530,603

14. Stocks

GROUP AND COMPANY	2013 £	2012 £
Goods for resale or consumption	**1,127,128**	1,089,483

15. Debtors

GROUP AND COMPANY	2013 £	2012 £
Amounts falling due within one year:		
Trade debtors	**7,585,050**	6,098,857
Other debtors and prepayments	**780,021**	1,175,101
Corporation tax	**505,134**	-
EIG submarine cable (see note 13)	**1,427,640**	1,407,384
	10,297,845	8,681,342
Amounts falling due after more than one year (excluding EIG submarine cable):		
Security deposits	**44,788**	44,788
	10,342,633	8,726,130

16. Creditors: Amounts falling due within one year

	GROUP		COMPANY	
	2013 £	2012 £	2013 £	2012 £
Trade creditors	**3,483,035**	4,527,327	**3,483,035**	4,527,327
Amounts due to Group undertakings	**-**	-	**4,000**	4,000
Bank borrowings	**1,825,865**	2,000,566	**1,825,865**	2,000,566
Other creditors	**59,525**	72,274	**59,525**	72,274
PAYE and social insurance	**151,582**	184,278	**151,582**	184,278
Corporation tax	**-**	190,090	**-**	190,090
Accruals and deferred income	**7,268,642**	6,700,595	**7,268,642**	6,700,595
	12,788,649	13,675,130	**12,792,649**	13,679,130

16. Creditors: Amounts falling due within one year (continued)

Gibtelecom has four loan facilities in place: one for £4,100,000 relating to the mortgage finance facility of 15/21 John Mackintosh Square; one for £4,725,000 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; and one for £1,300,000 relating to the Company's latest data centre. 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 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 trading as NatWest, was for the replenishment of Gibtelecom's own resources utilised in the purchase and redevelopment of 15/21 John Mackintosh Square. This loan facility of £4,100,000, taken out in June 2010, was for 70% of the total cost and as at 31 December 2013 the balance repayable stood at £2,387,483 (2012: £2,806,655).

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 calculated on the basis of a 10 year amortising facility.

(ii) Mount Pleasant

Mount Pleasant, a building which has always been associated with telecommunications in Gibraltar, currently houses the Company's Network Operations Centre and data centres, 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 on 25 November 2013 and the Company entered into a new extended mortgage agreement for a further five years. As at 31 December 2013 the balance repayable on the mortgage stood at £2,362,500 (2012: £2,928,334).

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 three continents (Europe, Africa and Asia) with 13 sea landings, including Gibraltar. Gibtelecom's investment in the project is c$31.6m, which equates to a c4.3% ownership in the EIG consortium. The Company has funded 60% of the project costs from its own working capital, with the remaining 40% being funded by means of a loan of £8,000,000 obtained from the Royal Bank of Scotland International, trading as NatWest. This loan was fully drawn down by December 2010. As at 31 December 2013 the balance of the loan outstanding was £5,669,558 (2012: £6,431,526).

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;

(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 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 has 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, trading as NatWest in June 2011.

As at 31 December 2013, the outstanding balance of the loan was £678,406 (2012: £933,720).

17. Creditors: Amounts falling due after more than one year

GROUP AND COMPANY	**2013** **£**	2012 £
Mortgage finances		
15/21 John Mackintosh Square	**1,961,083**	2,385,455
Mount Pleasant	**2,008,125**	2,362,502
Bank borrowings		
EIG submarine cable system	**4,888,758**	5,673,306
Data Centres	**414,116**	678,406
	9,272,082	11,099,669

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	**2013** **£**	2012 £
In more than one year but not more than two years	**1,943,990**	2,000,566
In more than two years but not more than five years	**6,343,334**	6,937,441
In more than five years	**984,758**	2,161,662
	9,272,082	11,099,669

See note 16 for the carrying amount of the bank loans falling due within one year at 31 December 2013.

18. Provisions for liabilities and charges

GROUP AND COMPANY	CORPORATE RESTRUCTURING COSTS (I) £	DEFERRED TAX PROVISION (II) £	TOTAL £
At 1 January 2013	(1,741,561)	(810,389)	(2,551,950)
Payments made during the year	1,235,814	-	1,235,814
Charged to the profit and loss account	(451,943)	(364,300)	(816,243)
At 31 December 2013	**(957,690)**	**(1,174,689)**	**(2,132,379)**

(i) Corporate restructuring costs

The Company has in place a corporate restructuring programme that offers employees a voluntary separation package. As at 31 December 2013, the restructuring costs payable under this programme are estimated to be £957,690 (2012: £1,741,561). They have been fully provided for and are expected to be utilised by 31 December 2014.

During 2013, 11 employees left the Company under a voluntary separation scheme, and four more are expected to leave in 2014. In total, as at 31 December 2013, some 43 employees have left Gibtelecom since 2003 under the Company's various voluntary separation schemes.

(ii) Deferred tax provision

GROUP AND COMPANY	2013 £	2012 £
At 1 January	**(810,389)**	(444,162)
Deferred tax asset reclassified to provisions	**-**	260,838
Charged to the profit and loss account	**(364,300)**	(627,065)
At 31 December	**(1,174,689)**	(810,389)

Deferred tax is provided as follows:

GROUP AND COMPANY	2013 £	2012 £
Accelerated capital allowances	**(1,174,689)**	(1,025,310)
Other timing differences	**-**	214,921
Deferred tax provision excluding that relating to pension liability	**(1,174,689)**	(810,389)
Deferred tax asset in pension liability (note 25)	**1,980,600**	1,725,000
Total provision for deferred tax	**805,911**	914,611

19. Called-up share capital

GROUP AND COMPANY	2013 £	2012 £
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

20. Share premium account

GROUP AND COMPANY	2013 £	2012 £
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.

21. Profit and loss account

GROUP AND COMPANY	2013 £	2012 £
At 1 January	**11,344,829**	13,929,187
Profit for the financial year	**8,984,415**	6,793, 842
Dividends (note 10)	**(5,800,000)**	(6,700,000)
Actuarial loss on pension schemes (note 25)	**(2,079,000)**	(3,046,000)
Movement on deferred tax relating to pension schemes (note 25)	**255,600**	367,800
At 31 December	**12,705,844**	11,344,829

22. Reconciliation of movements in shareholders' funds

GROUP AND COMPANY	2013 £	2012 £
Profit for the financial year	**8,984,415**	6,793,842
Dividends	**(5,800,000)**	(6,700,000)
Retained profit for the financial year	**3,184,415**	93,842
Actuarial loss on pension scheme (note 25)	**(2,079,000)**	(3,046,000)
Movement on deferred tax relating to pensions schemes (note 25)	**255,600**	367,800
Net increase/(decrease) in shareholders' funds	**1,361,015**	(2,584,358)
Opening shareholders' funds	**26,344,829**	28,929,187
Closing shareholders' funds	**27,705,844**	26,344,829

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

	2013 £	2012 £
Group operating profit	**10,770,430**	9,039,679
Depreciation and amortisation charges	**5,878,708**	4,649,141
Difference between pension charge and cash contributions	**(879,116)**	(1,445,000)
Increase in stocks	**(37,645)**	(1,504)
Increase in debtors	**(1,111,367)**	(787,348)
(Decrease)/increase in creditors	**(508,941)**	3,640,329
(Decrease)/increase in other provisions for liabilities and charges	**(783,871)**	2,037,583
Net cash flow from operating activities	**13,328,198**	17,132,880

24. Analysis of net cash, liquid resources and borrowings

GROUP AND COMPANY	2013 £	CASH FLOW MOVEMENT	2012 £
Net cash:			
Bank balances	**6,874,404**	**25,271**	6,849,133
Less: bank loans (notes 16 and 17)	**(11,097,947)**	**2,002,288**	(13,100,235)
	(4,223,543)	**2,027,559**	(6,251,102)

Reconciliation of net cash flow to movement in net funds

GROUP AND COMPANY	NOTES	2013 £	2012 £
Movement in net funds	24	**25,271**	1,261,864
Movement in borrowings	24	**2,002,288**	1,908,917
Net funds at 1 January	24	**(6,251,102)**	(9,421,883)
Net funds at 31 December	**24**	**(4,223,543)**	(6,251,102)

25. Pension commitments

The Company operates two pension schemes for Gibtelecom employees. One for 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, since 2002, has 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, all existing 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 benefits pension scheme contracted out to a pensions administrator, Clerical Medical Investment Group Limited. A 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. The 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. Additional annual contributions of £460,000 a year for the next 10 years will be paid in order to cover the remaining shortfall for past service liabilities.

The Company's total contributions to the Gibraltar Nynex Communications Limited Staff Pension Scheme for 2013 amounted to £1,665,000 (2012: £1,745,000). These contributions include the additional annual contribution made during the year, which amounted to £460,000 (2012: £460,000) and exceptional payments effected in respect of voluntary separations, amounting in 2013 to £436,200 (2012: £nil).

The Gibtel Pension Fund is a defined benefits pension scheme. A full valuation as at 1 August 2011 was carried out by Towers Watson Limited 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. Consequently, as recommended by the actuary, 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%.

The Company's total contributions to the Gibtel Pension Fund for 2013 amounted to £860,000 (2012: £780,000). This includes the additional annual contribution made during the year, which amounted to £498,357 (2012: £474,626) and exceptional payments in respect of voluntary separations, amounting in 2013 to £54,500 (2012: £nil).

Financial Reporting Standard 17 'Retirement benefits'

Valuations of both schemes, for the purposes of FRS 17, were carried out at 31 December 2013 by qualified actuaries.

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

The Directors set the major assumptions as at 31 December 2013, on the basis of actuarial advice, as follows:

	2013 %	2012 %	2011 %
Rate of increase in salaries	**3.4**	3.1	3.2
Rate of increase in pension payment	**3.0**	3.0	3.0
Discount rate	**4.5**	4.6	5.1
Inflation assumption	**2.9**	2.6	2.7
Equities rate of return	**7.2**	7.2	7.7
Corporate bonds rate of return	**4.5**	4.6	5.0
UK Government bonds rate of return	**3.6**	3.0	2.9
Cash and other assets rate of return	**3.1**	2.4	2.9
Group Pension Contract	**5.5**	5.3	4.5

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

Gibraltar Nynex Communications Limited Staff Pension Scheme

	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	LONG-TERM RATE OF RETURN EXPECTED AT 31 DECEMBER 2009
Pension Contract	**5.5%**	5.3%	4.5%	5.3%	5.4%
Other net assets	**3.1%**	2.4%	2.9%	4.1%	4.5%
	VALUE AT 31 DECEMBER 2013	VALUE AT 31 DECEMBER 2012	VALUE AT 31 DECEMBER 2011	VALUE AT 31 DECEMBER 2010	VALUE AT 31 DECEMBER 2009
Pension Contract	**19,041,000**	17,077,000	14,376,000	12,737,000	10,183,000
Other net assets	**-**	-	-	-	25,000
Market value of assets	**19,041,000**	17,077,000	14,376,000	12,737,000	10,208,000
Present value of liabilities	**(23,324,000)**	(19,612,000)	(16,362,000)	(15,120,000)	(13,993,000)
Scheme deficit	**(4,283,000)**	(2,535,000)	(1,986,000)	(2,383,000)	(3,785,000)
Related deferred tax asset	**856,600**	507,000	397,200	476,600	832,700
Net Pension Liability	**(3,426,400)**	(2,028,000)	(1,588,800)	(1,906,400)	(2,952,300)

The scheme has a number of purchased annuities in respect of past retirements valued at £6,270,206 as at 31 December 2013 (2012: £4,209,852). These annuities are understood to fully match the relevant liabilities and so have been excluded from both the assets and the liabilities.

25. Pension commitments (continued)

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

	2013 £	2012 £
Current service cost	**(950,000)**	(810,000)
Past service cost	**(436,000)**	-
	(1,386,000)	(810,000)

Analysis of the amount charged to other finance costs

	2013 £	2012 £
Expected return on pension scheme assets	**928,000**	676,000
Interest cost on pension scheme	**(916,000)**	(834,000)
	12,000	(158,000)

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

	2013 £	2012 £
Acutal return less expected return on pension scheme assets	**163,000**	443,000
Changes in the assumptions underlying the present value of the pension scheme liabilities	**(2,202,000)**	(1,769,000)
Actuarial loss recognised in consolidated statement of total recognised gains and losses	**(2,039,000)**	(1,326,000)

Movement in deficit during the year

	2013 £	2012 £
Deficit in the scheme at the beginning of the year	**(2,535,000)**	(1,986,000)
Movement:		
Current service cost	**(950,000)**	(810,000)
Contributions	**1,665,000**	1,745,000
Past service cost	**(436,000)**	-
Other finance cost	**12,000**	(158,000)
Actuarial loss	**(2,039,000)**	(1,326,000)
Deficit in the scheme at the end of the year	**(4,283,000)**	(2,535,000)

History of experience gains and losses

	2013 £	2012 £	2011 £
Difference between the actual and expected return on scheme assets:			
Amount	**163,000**	443,000	400,000
Percentage of scheme assets	**0.9%**	2.6%	2.8%
Experience gains and losses on pension scheme liabilities:			
Amount	**-**	-	(8,000)
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	**(2,039,000)**	(1,326,000)	96,000
Percentage of the present value of the scheme liabilities	**8.7%**	6.8%	0.6%

25. Pension commitments (continued)

Gibtel Pension Fund

	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	LONG-TERM RATE OF RETURN EXPECTED AT 31 DECEMBER 2009
Equities	**7.2%**	7.2%	7.7%	8.3%	8.5%
Corporate bonds	**4.5%**	4.6%	5.0%	5.5%	5.7%
UK Government bonds	**3.6%**	3.0%	2.9%	4.2%	4.5%
Cash and other assets	**3.1%**	2.4%	2.9%	4.1%	4.5%
	VALUE AT 31 DECEMBER 2013	VALUE AT 31 DECEMBER 2012	VALUE AT 31 DECEMBER 2011	VALUE AT 31 DECEMBER 2010	VALUE AT 31 DECEMBER 2009
Equities	**8,473,000**	7,593,000	6,192,000	5,899,000	5,120,000
Corporate bonds	**1,675,000**	2,712,000	2,338,000	2,982,000	2,206,000
UK Government bonds	**2,691,000**	1,260,000	1,073,000	858,000	984,000
Cash and other assets	**1,501,000**	1,225,000	1,897,000	1,961,000	2,140,000
Market value of assets	**14,340,000**	12,790,000	11,500,000	11,700,000	10,450,000
Present value of liabilities	**(19,960,000)**	(18,880,000)	(16,300,000)	(15,080,000)	(14,610,000)
Scheme deficit	**(5,620,000)**	(6,090,000)	(4,800,000)	(3,380,000)	(4,160,000)
Related deferred tax assets	**1,124,000**	1,218,000	960,000	676,000	915,200
Net pension liability	**(4,496,000)**	(4,872,000)	(3,840,000)	(2,704,000)	(3,244,800)

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

	2013 £	2012 £
Current service cost	**(210,000)**	(270,000)
Past service cost	**(50,000)**	-
	(260,000)	(270,000)

Analysis of the amount charged to other finance costs

	2013 £	2012 £
Expected return on pension scheme assets	**770,000**	730,000
Interest cost on pension scheme	**(860,000)**	(810,000)
	(90,000)	(80,000)

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

	2013 £	2012 £
Actual return less expected return on pension scheme assets	**690,000**	330,000
Changes in the assumptions underlying the present value of the pension scheme liabilities	**(730,000)**	(2,050,000)
Actuarial loss recognised in consolidated statement of total recognised gains and losses	**(40,000)**	(1,720,000)

Movement in deficit during the year

	2013 £	2012 £
Deficit in the scheme at the beginning of the year	**(6,090,000)**	(4,800,000)
Movement:		
Current service cost	**(210,000)**	(270,000)
Contributions	**860,000**	780,000
Past service cost	**(50,000)**	-
Finance cost	**(90,000)**	(80,000)
Actuarial loss	**(40,000)**	(1,720,000)
Deficit in the scheme at the end of the year	**(5,620,000)**	(6,090,000)

25. Pension commitments (continued)

History of experience gains and losses

	2013 £	2012 £	2011 £
Difference between the actual and expected return on scheme assets:			
Amount	**690,000**	-	(1,170,000)
Percentage of scheme assets	**4.8%**	-	(10.2%)
Experience gains and losses on pension scheme liabilities:			
Amount	**-**	330,000	(280,000)
Percentage of the present value of the scheme liabilities	**(0.0%)**	2.6%	(1.7%)
Total amount recognised in consolidated statement of total recognised gains and losses:			
Amount	**(40,000)**	(1,720,000)	(1,910,000)
Percentage of the present value of the scheme liabilities	**(0.2%)**	(9.1%)	(11.7%)

Deferred tax and closing liability - cumulative

GROUP AND COMPANY	2013 £	2012 £
Deficit in the Gibtel Pension Fund	**(5,620,000)**	(6090,000)
Deficit in the Gibraltar Nynex Communications Limited Staff Pension Scheme	**(4,283,000)**	(2,535,000)
Total deficit	**(9,903,000)**	(8,625,000)
Deferred tax asset at 20% (note 18)	**1,980,600**	1,725,000
Pension liability	**(7,922,400)**	(6,900,000)

26. Related party transactions

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

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

As at 31 December 2013, the Company owed the Government of Gibraltar amounts in respect of Corporation Tax based on its profits. As a result of the effect of the tax adjustments, as disclosed in note 9, the Company had a Corporation Tax credit of £505,134 (2012: debt of £190,090) as at 31 December 2013.

The Company provides some parts of the Government of Gibraltar with some 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 2013/14 was £1,872,271 (2012/13: £1,212,637). As at 31 December 2013, an amount of £1,143,116 was due to be paid for 2013/2014 as agreed with the GRA.

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

GROUP AND COMPANY	2013 £	2012 £
Amounts due from /(to) the Government		
Corporation Tax debtor (note 15)	**505,134**	-
Corporation Tax creditor (note 16)	**-**	(190,090)
PAYE and Social Insurance (note 16)	**(151,582)**	(184,278)
	353,552	(374,368)

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. The Company has six agreements in place to purchase technical support and services, voice and phone products on an arm's length commercial basis as and when utilised.

Total annual fees for these TS services during 2013 were £92,119 (2012: £40,986). Total annual fees accrued for these services as at 31 December 2013 amounted to £8,900 (2012: £6,000). In addition, capital expenditure of £92,205 was incurred in 2013 (2012: nil).

27. Capital commitments

At 31 December 2013, the Company had ongoing commitments for capital expenditure of £1,308,490 (2012: £2,014,000). The latest operational capital budget for 2014 is £5,830,000, excluding the EIG submarine cable investment (£1,050,000) and preliminary spending on the Haven building development (£400,000).

28. Financial commitments

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

	2013 **£**	2012 £
Within one year	**138,600**	154,902
Within two to five years	**62,480**	62,586
After five years	**124,320**	109,840
	325,400	327,328

29. Ultimate controlling parties

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

30. Subsequent events

Gibtelecom reached an agreement with the 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, on 19 December 2012. Both the purchase and the loan agreement were finalised on 24 January 2014.

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 data 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 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, among other things, its next generation communications switch that will eventually replace the existing telephone exchange currently housed in City Hall. Gibtelecom would eventually decant from the top floor of City Hall, enabling that building's integrity and heritage to be fully restored.

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