



# Gibtelecom

## Annual Report 2006



Abridged Version



[www.gibtele.com](http://www.gibtele.com)



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Abridged Annual report for the year ended 31 December 2006

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# Board of Directors

## Chairman Directors

The Hon Fabian Vinet  
Tim Bristow  
Dilip Dayaram Tirathdas  
Bojan Dremelj\*  
Filip Ogris-Martič\*  
Klavdij Godnič\*

## Executive Committee

**Chief Executive Officer** Tim Bristow  
**Resources Director** Brian Asquez  
**Technical Director** Xavi Bado  
**Business Director** Francis Lopez  
**Operations Director** Adrian Moreno

\* Appointed 23 April 2007

Gibtelecom, the main provider of telecommunications services on the Rock, has played a pioneering role in the growth and development of telecommunications in Gibraltar. The company provides sophisticated solutions to all types of business and residential customers using fibre optic networks, satellite communications and microwave links to transport voice, data and internet services.

Gibtelecom, an ISO9001 registered company, will provide you with products and services matching those offered by leading telecommunications companies throughout the world. Gibtelecom's experienced and dedicated staff will ensure that you receive a professional, customised and cost-effective service.

Gibtelecom is owned jointly by Telekom Slovenije of Slovenia and the Government of Gibraltar. Telekom Slovenije purchased fifty percent of the shares in the Company from Verizon International Communications Inc. on 23 April 2007.

*We look forward to doing business with you!*

## Our Mission

Gibtelecom will be the telecommunications business of choice in Gibraltar, by offering quality and cost effective wireline, wireless and internet services.

## Our Vision

Gibtelecom will be a modern and innovative communication business focused on stakeholders. Gibtelecom will be recognised as a leading business in Gibraltar worthy of being benchmarked.

## Our Values

Gibtelecom is focused on its stakeholders by:

- providing an excellent service to customers
- being aware of the community and environment
- employing people with the right abilities and positive attitudes
- being responsive to Shareholders

Gibtelecom

# 2006 at a Glance

**117 million**  
local minutes

**43 million**  
International incoming & outgoing minutes

**53%**  
ADSL service penetration rate per-household

**83%**  
GSM mobile penetration rate per-capita

**7.7 million**  
short text messages (SMS) sent

**219**  
Roaming partners in 82 countries

## Key Initiatives

### A review of Gibtelecom's advances through 2006

#### January

■ **Introduction of new 9p rate for the 884 Service** applying to 39 destinations including the UK, Portugal, other Western European destinations, USA, Israel and Australia (excluding calls to mobiles which are charged at 20p per minute).

■ **Inclusion of Spain in the 884 Service** within the new 9p rate (excluding calls to mobiles which are charged at 20p per minute).

■ **20% reduction on SMS** (Short Message Service) text messages from 10p to 8p per SMS throughout the world.

#### February

■ **Gibtelecom International Chess Tournament** held January and February. Website attracts 27 million hits from around the world.

■ **Reductions on calls to mobiles from Gibraltar landlines.** The cheap rate was reduced from 18p to 15p per minute and the standard rate was reduced from 20p to 17p per minute.

#### June

■ **Free Voicemail on all Gibraltar landlines** including the removal of monthly rental fees (£2 residential and £3 business), call diversion usage charges during forwarding of calls to voicemail and mailbox access charges from landlines.

■ **Hosts twelfth Teleforum of Telecom Operators of Small States.** Conference in Gibraltar attended by 13 companies and 12 commercial sponsors from 20 different Countries.

#### August

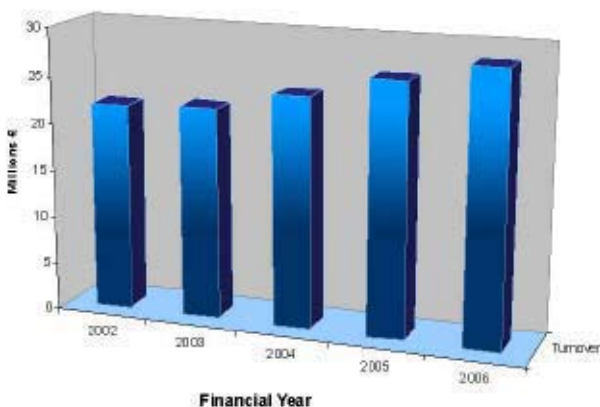
■ **ADSL (WOW) free connection** promotional offer, saving £75.

#### December

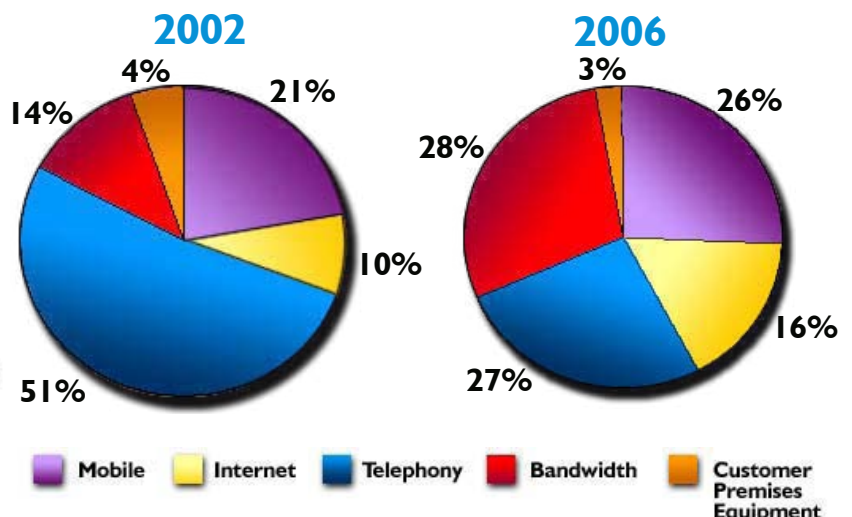
■ **New Customer Services Centre** with open-plan area and multi-tasking work stations.

## Gibtelecom 2002-2006

### Group Turnover



### The Changing Business



## Directors' report for the year ended 31 December 2006

The Directors present their report and the summary financial statements for the year ended 31 December 2006, for Gibtelecom Limited ("Gibtelecom") and its two wholly-owned subsidiaries: Gibraltar Telecommunications International Limited ("Gibtel"); and Gibconnect Limited ("Gibconnect").

The summary financial statements provides an overview of the group and parent company's financial position and results of its operations during the year. It is a summary of the information contained in the Annual Report of the group which comprises the Directors' Report, the Independent auditor's report and the audited Financial Statements of the group and parent company. The summarised financial statements should be read in conjunction with the financial statements from which the summarised financial statements were derived which include all disclosures required by the relevant financial reporting framework.

The Group has been trading as Gibtelecom since July 2002, and as of 1 October 2003 this name was formerly adopted by the Company (previously Gibraltar Nynex Communications Limited [GNC]). All assets and liabilities of Gibconnect were transferred to the parent Company, Gibtelecom, on 31 December 2005. Both subsidiaries will now remain as non-trading Companies, Gibtel having ceased trading on 31 December 2003.

### Principal activities

Gibtelecom and its subsidiaries are registered in Gibraltar and their principal activities are the provision of telecommunications, internet services and the supply of various communications equipment within Gibraltar. The share capital of the Company is jointly owned by Verizon Communications Inc of the USA, through a wholly owned subsidiary, Verizon International Holdings Inc, a Company incorporated in Delaware, USA and by the Government of Gibraltar.

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

### Review of business and future developments

#### At the forefront of communications

The year 2006 was overall another resounding success, during which the Company continued to enhance significantly Gibraltar's communications infrastructure, deliver improved services to customers, invest in its people and achieve strong financial results.

One of the pillars of Gibtelecom's success has been the development of a state-of-the-art Internet Protocol (IP) infrastructure, to meet the demands of e-commerce customers who require greater technical support 24 hours, 7 days a week. Gibtelecom continues to upgrade its communications links investing in bandwidth capacity, which enables the Company to provide IP bandwidth on demand. New routes to and via Spain have been established, providing enhanced resilience and eliminating potential single points of failure. Since 2002, Gibtelecom's bandwidth capacity has increased over thirty-fold.

The number of locally originated voice minutes carried by Gibtelecom in 2006 surpassed 117 million. The company also terminated more than 35 million minutes on its network as a result of incoming international and mobile roaming traffic. Gibtelecom's GSM customers sent some 7.7 million short text messages (2005 – 5.9 million) during the same period.

On 10 February 2007 Gibtelecom achieved a historic milestone with the successful implementation of +350 and +34 dialling from and to Spain respectively. Additionally, on the same day, the Company concluded its first roaming arrangement with a Spanish Operator (Telefónica Móviles) allowing Gibtelecom's GSM customers to use their mobiles throughout Spain. Agreements with other Spanish mobile operators are being progressed. This will undoubtedly increase Gibtelecom's GSM customer base, which currently stands at c24,000 subscribers, with a per-capita penetration of 83%.

## Directors' report for the year ended 31 December 2006

The recognition by Spain of Gibraltar's international access code +350 and its agreement to allow Spanish operators to enter into roaming agreements with Gibtelecom formed part of the tri-partite Cordoba Agreement between the Governments of the United Kingdom, Spain and Gibraltar of 18 September 2006. Consequently, the Company is currently assessing the position on the numbering and roaming cases lodged in the European Court of First Instance against the European Commission for their decision not to take action. The complaints had originally been filed with the Directorate General IV of the European Commission in 1996. Gibtelecom's (then GNC) complaint was in connection with the refusal by the Spanish Government to allow Spanish operators to recognise the Gibraltar International Telephone Code '350', and the consequential shortage of telephone numbers in Gibraltar. The second complaint (filed by Gibtel) concerned the Spanish Government's refusal to allow Spanish GSM operators to conclude roaming agreements with the Company.

Throughout 2007 Gibtelecom plans to continue to invest to provide a first class service and to continue to be the main telecommunications company of choice in Gibraltar. Some of the projects envisaged for the year include further upgrading the mobile network, deploying an IP Centrex service, continuing to explore cable route alternatives for IP traffic and resilience and commencing the construction of the superstructure for the new John Mackintosh Square building adjacent to the Haven and City Hall, where much of the Company's fixed line switching and internet equipment is located. The first phase comprising the foundations, basement and other ground level structures was completed early this year.

### Business synergies

Gibtelecom operates within an increasingly volatile and competitive, but regulated environment. Customers increasing demands for enhanced high quality and resilient telecommunications services, with support available on a 24 hour basis, has been a major catalyst driving Gibtelecom's programme of change management.

This year saw the completion of a fully operational Network Operations Centre (NOC), offering extensive 24/7 support to Gibtelecom's customers, especially the e-commerce business sector. Driven by the demands of the e-gaming community and financial traders the internet capabilities of the business were also further strengthened in 2006. The NOC is based on a dedicated three tier structure, with Tier One serving as the Company's front-line call centre for all services. Tier Two is composed of two specialist sections – a Plant and Provisioning team and an IP support team. Tier Three comprises the Company's individual technical departments, and in particular the strengthened Internet Department which now comprises 17 members of staff who are responsible for all internet services and data communications via leased lines. This setup provides full and efficient round the clock support to the Company's customers.

Gibconnect [Internet Service Provider] ceased trading as a separate entity and was reintegrated into the parent company with effect from 1 January 2006. As a result of this, Gibtelecom completed the integration of the three previous businesses within the Group into one entity, facilitating the growing convergence of services between the fixed line, internet and data line provisioning.

In 2006 the Company also achieved its objective of integrating the Installations and Maintenance and Fixed Networks Engineering areas to create a streamlined and more efficient External Plant Department. In addition, the Customer Services staff have undergone a 'multi-tasking' training programme which is enhancing the one-stop shop focus of the business, in a newly refurbished and modernised shop for customers.

Since 2003, the Company has offered various Early Retirement and Voluntary Separation packages to staff, which has contributed towards refocusing the business to meet the changing market conditions and technological challenges. As a result a total of 29 employees (18 per cent) have left the Company, which has concurrently enabled Gibtelecom to create internal development opportunities and recruit new personnel with the skills and expertise needed to keep moving the business forward. Consequent to this ongoing programme of change management, the Company is now better placed to meet the challenges ahead.

## Directors' report for the year ended 31 December 2006

The Group operates two pension schemes for Gibtelecom employees. One for all former GNC employees and new joiners to Gibtelecom (Gibraltar Nynex Communications Limited Staff Pension Scheme) and the other for former Gibtel employees (Gibtel Pension Fund), both providing defined post-retirement benefits based on final pensionable salary. This is the second year that the Group is applying the full provisions of Financial Reporting Standard [FRS17] on Retirement benefits, whereby any deficit or surplus on pension funds has to be accounted for in the Company's accounts. The two Pension Funds combined have an asset value of £18.4million (2005 - £16.4m), which equates to a funding of liabilities of 84.8% (2005 - 76.3%). The Company is committed to continue making the necessary contributions to ensure that the Pension Funds are funded going forward. In 2002, the Group identified ways of merging the two funds, but this was not proceeded with pending favourable market conditions. The Group now proposes to revisit the merger of the Funds, thereby further streamlining its operations.

### Our People

The Company acknowledges that its c130 employees are one of its greatest assets and recognises the importance of continuing to develop its staff, both in their job and as individuals, if it is to enjoy continued success. In order to ensure that members of staff have the appropriate skills to fulfil their responsibilities in a competent and professional manner the Company invests substantially in training, which pays dividends for the Company and the Gibraltar economy as a whole. In 2006 an average of seven working days were spent per employee on training and development activities [equivalent to four person working years]; the objective is to increase this to an average of ten days per employee per year.

The two year Gibtelecom Management Development Programme, run in partnership with Durham University Business School, concluded in November 2006. This was attended by management and supervisory staff, and contributed to further developing and modernising the business. It has played a part in improvements to many aspects of the business, including enhanced leadership, communications, business planning, customer care and people management.

Following on from the success of the Management Development Programme, the Company has introduced similar 'in-house' development training for nearly 100 staff. The Gibtelecom Development Programme, also being facilitated by the Company in partnership with Durham University Business School, commenced in September 2006. One important output has been the introduction of Personal Development Reviews for all staff, a breakthrough in a small community like Gibraltar.

The Company's affirmative action plan continues to enjoy success. The number of female employees in the Company has increased by 9% to represent 22% of the workforce. There are also two registered disabled persons amongst the Company's workforce. Since 2003 there has been an unprecedented level of staff turnover. Whilst some 42 employees have left the business, this has equated to an equivalent number of staff opportunities, and the Company is now actively building its skills base in expanding areas of the business.

A testament to Gibtelecom's human resources expertise is that it is now being tapped by other organisations. The Company is assisting in the running of people selection assessment centres elsewhere and its management of sick leave, which has now fallen to an average of only 1.15 days per employee per quarter, is being used as a successful benchmark by other organisations.

### Company Communications

The Company continues to communicate with its customers, primarily using the Gibtelecom Info News which is sent out with the one integrated monthly bill, covering wireline, wireless and internet services. In addition, the Company advertises extensively in the local media and has become a willing participant in using television and radio news opportunities to get across its messages.

Gibtelecom also recognises the importance of communicating with its employees and keeping them informed on Company matters, as they are the most important interface with customers. This information is disseminated in various ways.

## Directors' report for the year ended 31 December 2006

Last year, an Employee Handbook, compiled in consultation with the staff and their Union representatives, was issued to every employee. The handbook comprehensively sets out all the Company's employment policies and practices and employee's obligations and rights. The internal Weekly Bulletin celebrated its second anniversary in November 2006 and has become the official means of communications throughout the Company. Staff are informed about the Company's policies; business developments; products and services; regulatory issues; quality initiatives; and training and development opportunities amongst many other matters.

Since the creation of Gibtelecom in 2002, an Annual Staff meeting to which all staff are invited has been held. The 2006 meetings were held over to 25 January 2007, where members of staff were briefed at the Company's Mount Pleasant Training Suite by the Chief Executive Officer and other Directors on the past year's performance and the 2007 Business Plan. In May 2006, the Company held its fifth Management Annual Conference, over a weekend away from the Gibraltar environment. The main topic of the conference was 'Leadership, Motivation and Communication', and all managers gave a presentation on how they lead and motivate their respective Teams.

### Our work in the community

Gibtelecom believes in supporting the community and its sponsorship activities are primarily focused on supporting youth, sports and cultural organisations. Financial support was given to numerous bodies, with some of the highlights being the Philharmonic Society, Duke of Edinburgh scheme and a Gibraltar Health Authority Nursing Conference.

The Company also sponsors the 'Gibtelecom International Chess Tournament' which is held during the first quarter of the year. Since its commencement in 2003, this international festival has developed into one of the premier open international chess events in Western Europe. In 2006, more than 200 chess players from 32 different countries participated, including seven of the world's top Grandmasters. The technical expertise and infrastructure to support the festival was provided by Gibtelecom. The technology enabled chess enthusiasts from around the world to be able to follow the festival online, with live commentary by a chess Grandmaster. The festival website experienced a total of 27 million hits from some 170,000 addresses. In 2006, the junior tournament was also very successful, attracting more than 100 participants. This initiative has not only helped the Company develop its technical capabilities, but encouraged the development of chess in local schools.

Gibtelecom is also actively involved with Gibraltar schools through the 'Gibtelecom Christmas Card' competition. This year, students from the ages of 6 to 8 took part. This competition creates awareness of Gibtelecom amongst the younger generation and the winning school is provided with computer equipment.

The Company continues with its Graduate Sponsorship Scheme, now in its fifth consecutive year. These places are offered to students undertaking a relevant technical orientated degree, such as information technology, an engineering or telecommunications qualification. Each successful applicant receives an annual Educational Support Allowance and a personal laptop computer, and the prospect of employment during vacations. The Company has sponsored a total of 10 students since its inception in 2002, and two have since been successful in taking up full time employment with Gibtelecom.

For many years Gibtelecom has been providing paid employment for University students during the summer period. In 2006, 31 students participated in Gibtelecom's work experience programme, bringing to nearly 300 the students who have had the opportunity to gain experience within different areas of the business over the last decade. The Company has also participated in career presentations run by local secondary schools.

In June 2006 Gibtelecom facilitated, through sponsorship of the technical support, the launch of the new 'Childline Gibraltar' [a free helpline for children and young people in danger or distress]. It has been set up to provide a point of contact for children, parents and members of the general public in Gibraltar in need of help, guidance or support with matters directly or indirectly affecting the welfare or well-being of children. Discussions are underway to support a similar 'Women in Need' telephone service.

The Company intends to continue supporting the community in a similar manner for the year ahead, sponsoring many organisations across a wide range of activities.

## Directors' report for the year ended 31 December 2006

### Regulatory Environment

The EU Communications Framework consists of a number of Directives. These outline matters such as the objectives to be pursued by National Regulatory Authorities (NRAs); the way in which telecommunications operators and providers are to be licensed; remedies to be taken to protect consumers and promote competition; ensuring the universal provision of a minimum set of services; and the terms and basis upon which operators interconnect and provide access to each other's networks.

The Company continued to face the challenges of these ever-widening EU requirements and finalised a number of regulatory-led projects during the year. A third Accounting Separation Report, detailing the various aspects of the business from a financial perspective was produced. This report is used to determine the Company's interconnection and access charges for other operators and service providers using Gibtelecom's fixed line network. The resulting Reference Interconnect Offer is cleared with the Gibraltar Regulatory Authority (GRA) and posted on the Company's website, [www.gibtele.com](http://www.gibtele.com)

Additionally, the Company completed its first Reference Unbundling Offer (RUO) in May 2006. This comprehensive document outlines Gibtelecom's terms, conditions and charges for renting out its copper local loop, including providing co-location space where practicable, to authorised operators. This document is also available on the company's website.

The GRA has also started consultative proceedings on number portability. This process would allow customers to retain their subscriber number when changing operators and is envisaged by the GRA to be in place during 2008. During the year the Company was also required to submit information for the GRA's market analyses questionnaires. This will allow the GRA to determine the scope of significant market power in a number of EU pre-defined markets, ultimately leading to the imposition of ex-post obligations and remedies in cases where these are required to foster competition.

As with previous years, all these requirements, which are designed to stimulate a liberalised and competitive marketplace across European States with exponentially larger customer bases, continue to pose significant challenges to a small Company the size of Gibtelecom.

### Market Highlights

During the year, Gibtelecom continued to face competition from one operator authorised to offer fixed and internet services and a number of service providers offering international outgoing voice calls and data services. In addition, five neighbouring mobile companies' GSM signals penetrated Gibraltar's small territorial space of 6.5 km<sup>2</sup>.

The continued success of the Company is dependent on meeting and anticipating customers' needs. Throughout 2006 the Company continued its comprehensive and intensive marketing campaigns, launching an initiative every month. This programme has proved to be extremely successful, and during the last eighteen months Gibtelecom has reduced its charges in a number of product lines, including telephone and mobile calls, internet services, leased circuits and its flagship IP Flexiband product.

Gibtelecom plans to continue to increase its exposure by offering new and innovative packages to customers. In 2007, the Company will continue to launch a new initiative every month, which will help position Gibtelecom as an organisation who looks after its customer and offers quality and value for money products. As of 31 December 2006, the ADSL (fast internet access or broadband) service has seen year-on-year growth of c53%, with an identical per-household penetration rate of 53% (2005 – c35%). Gibtelecom expects these figures to be even higher in 2007, a year which commenced with increasing uncontended ADSL speeds at reduced prices.

## Directors' report for the year ended 31 December 2006

### Quality Journey

Gibtelecom has continued its quality journey by applying Total Quality Management [TQM] principles, retaining its European Foundation of Quality Management Certificate for Excellence [EFQM]. Gibtelecom was the first Company in Gibraltar to be registered with the European Foundation of Quality Management. The Company will continue to apply the principles of the EFQM Business Excellence Model and one of Gibtelecom's objectives is to achieve the higher 'Recognised for Excellence' Award.

Following an extensive tri-annual review of the Quality Management System in April 2006, the Company was re-awarded the ISO 9001/2000 Quality Certificate. The quality systems are audited bi-annually by Gibtelecom internal auditors and by external assessors from SGS.

Additionally, independent customer satisfaction surveys and seminars for large customers are carried out every six months. These show a high appreciation of the services provided and give an indication of where Gibtelecom should focus its efforts to continue to grow the quality of its services and operations.

### Corporate Governance

Gibtelecom, and in particular the Board of Directors, are committed to maintaining the highest standards of corporate governance, which it considers are critical to business integrity and maintaining stakeholder trust in the Company. Gibtelecom expects all its Operational Directors and employees to act with honesty, integrity and fairness and will strive to act in accordance with best corporate governance guidelines by adopting proper standards of business practice and procedures.

### Financial results and dividends

Gibtelecom's consolidated profit after tax for the twelve months to 31 December 2006 was £6,843,934 (2005: £7,158,795). The Directors have declared and paid a total dividend for the year of £5,800,000 (2005: £5,000,000). The Group's retained earnings, following the payment of dividends, is £1,043,934 (2005: £2,158,795).

Financial Reporting Standard [FRS21] – 'Events after the balance sheet date' came into effect for accounting periods beginning on or after 1 January 2005. Adoption of FRS 21 means that proposed dividends that are not declared and approved by the Company's General Meeting before the balance sheet date can no longer be accrued as a liability at the year end. During 2005 the Directors approved and paid an interim dividend and a final dividend was declared and authorised by a General Meeting of the Company, thereby providing continuity with the published 2004 financial statements. The consequence of fully applying FRS 21 would have meant the prior-year figures having to be restated with the resulting loss of comparability between the financial statements, in this case between the years 2004 and 2005. The Directors therefore did not restate the 2004 comparatives and the dividends for the 2005 year, as required by FRS 21. The 2005 dividends now constitute prior-year figures and would therefore also need to be restated under the requirements of FRS 21, to reflect the final dividend 2004. In order to provide the necessary continuity for 2006, the Directors have decided not to restate the 2005 comparatives figures as this would misrepresent the amount of dividends in 2005 and 2006 and accordingly not give a true and fair view. Consequently, the external auditors have qualified their audit opinion in respect of this matter.

### Directors

The various Directors who held office during the year are given below:

Fabian Vinet	Chairman	<b>Nationality</b>	
Tim Bristow	Chief Executive Officer	British	
Ernest Montado		British	To 1 December 2006
Rahul Saxena		British	
Luigi Pinna		American	
Rich McCarthy		Italian	To 10 October 2006
Ed McQuaid		American	From 10 October 2006
Dilip Dayaram Tirathdas		American	From 1 December 2006
		British	

## Directors' report for the year ended 31 December 2006

On 10 October 2006 Ed McQuaid replaced Rich McCarthy as Director upon the latter's resignation. In addition, Dilip Dayaram Tirathdas replaced Ernest Montado as Director on 1 December 2006 upon the latter's retirement from the Government of Gibraltar.

### Statement of directors' responsibilities

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

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

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

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

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

### Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and the appointment of auditors for 2007 will be considered at the next Annual General Meeting.

By order of the Board

D Lara  
**Company Secretary**

Gibraltar  
23rd April 2007



## Independent auditor's report to the members of Gibtelecom Limited

**PricewaterhouseCoopers Limited**  
International Commercial Centre  
Casemates Square  
Gibraltar  
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Facsimile +350 48267  
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### Report on the summary financial statements

The accompanying summarised financial statements have been derived from the group and parent company financial statements of Gibtelecom Limited for the year ended 31 December 2006. We have audited the summary financial statements of Gibtelecom Limited for the year ended 31 December 2006 which comprise the profit and loss and balance sheet.

### Directors' responsibilities for the summary financial statements

The summary financial statements are the responsibility of the directors.

### Auditors' responsibilities

We have audited the group and parent company financial statements of Gibtelecom Limited for the year ended 31 December 2006, from which the summarised financial statements were derived, in accordance with International Standards on Auditing. Our responsibility is to express an opinion on whether these summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived. In our report dated 23 April 2007 we expressed an unqualified opinion on the financial statements from which the summarised financial statements were derived.

### Opinion

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the group and parent company's financial position and the results of its operations for the year and of the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which the summarised financial statements were derived and our audit report thereon.

### Other matters

We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

Legislation in Gibraltar governing preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PricewaterhouseCoopers  
**Registered Auditors**

Gibraltar  
23rd April 2007

Directors: Edgar C Lavarello Colin P J Vaughan Barry Pillans  
Registered in Gibraltar: Number 94799

## Consolidated profit and loss account for the year ended 31 December 2006

	2006 £	2005 £
<b>Turnover – continuing operations</b>	<b>28,467,596</b>	26,497,679
Payments to other telecommunication administrations	<b>(1,381,834)</b>	(1,420,781)
Other external charges	<b>(3,316,867)</b>	(2,312,681)
Staff costs	<b>(6,759,557)</b>	(5,602,518)
Voluntary separations	<b>(259,014)</b>	(1,005,000)
Depreciation	<b>(3,457,205)</b>	(2,886,335)
Other operating charges	<b>(4,084,401)</b>	(4,134,580)
<b>Operating expenses – continuing operations</b>	<b>(19,258,878)</b>	(17,361,895)
<b>Group operating profit</b>	<b>9,208,718</b>	9,135,784
Interest receivable on bank deposits	<b>729,134</b>	476,642
Interest payable and similar charges	<b>(90,830)</b>	(90,149)
Other finance costs	<b>(40,000)</b>	(154,000)
<b>Profit on ordinary activities before taxation</b>	<b>9,807,022</b>	9,368,277
Tax on profit on ordinary activities	<b>(2,963,088)</b>	(2,209,482)
<b>Profit for the financial year</b>	<b>6,843,934</b>	7,158,795
Dividends	<b>(5,800,000)</b>	(5,000,000)
<b>Retained profit for the financial year</b>	<b>1,043,934</b>	2,158,795

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

## Summary Financial Statements 2006

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### Balance sheets as at 31 December 2006

	Group		Company	
	2006 £	2005 £	2006 £	2005 £
<b>Fixed assets</b>				
Tangible assets	14,773,915	14,275,146	14,773,915	13,915,218
Investments	-	-	7,742,082	8,938,082
	14,773,915	14,275,146	22,515,997	22,853,300
<b>Current assets</b>				
Stock	883,600	793,630	883,600	793,630
Debtors	5,992,114	6,174,497	5,992,114	5,784,464
Cash at bank and in hand	14,542,841	14,719,450	14,542,841	13,183,764
	21,418,555	21,687,577	21,418,555	19,761,858
<b>Creditors: amounts falling due within one year</b>	(11,323,454)	(11,698,249)	(19,808,398)	(19,827,942)
<b>Net current assets/ (liabilities)</b>	10,095,101	9,989,328	1,610,157	(66,084)
<b>Total assets less current liabilities</b>	24,869,016	24,264,474	24,126,154	22,787,216
<b>Creditors: amounts falling due after more than one year</b>	(1,750,000)	(1,750,000)	(1,750,000)	(1,750,000)
Provisions for liabilities and charges	(2,016,785)	(2,186,494)	(2,016,785)	(2,186,494)
<b>Net assets excluding pension liability</b>	21,102,231	20,327,980	20,359,369	18,850,722
Pension liability	(2,147,156)	(3,310,450)	(2,147,156)	(3,310,450)
<b>Net assets including pension liability</b>	18,955,075	17,017,530	18,212,213	15,540,272
<b>Capital and reserves</b>				
Called up share capital	15,000	15,000	15,000	15,000
Share premium account	14,985,000	14,985,000	14,985,000	14,985,000
Profit and loss account	3,955,075	2,017,530	3,212,213	540,272
<b>Equity shareholders' funds</b>	18,955,075	17,017,530	18,212,213	15,540,272

The financial statements were approved by the Board of Directors on 23 April 2007 and were signed on its behalf by:

T J Bristow  
Director

R Saxena  
Director



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