Gibtelecom

CONSOLIDATED ANNUAL REPORT

31st DECEMBER 2018

Company registration number: 37905

CONTENTS

A. DIRECTORS AND OTHER INFORMATION

Directors:	Fabian Picardo	Chairman
	Noel Burrows	Chief Executive Officer
	Sir Joe Bossano	
	Albert Mena	

Registered office: 15/21 John Mackintosh Square
GX11 1AA Gibraltar

Secretary: Francis Brancato
15/21 John Mackintosh Square
GX11 1AA Gibraltar

Auditor: Deloitte Limited
Merchant House
22/24 John Mackintosh Square
GX11 1AA Gibraltar

B. DIRECTORS' REPORT

The Directors present their report, business review and the audited financial statements for the year ended 31st December 2018 for Gibtelecom Limited ("the Company") and its subsidiaries (together "Gibtelecom").

The Group has been trading as Gibtelecom since July 2002, and as from 2003 this name was formally adopted by the company and incorporated as Gibtelecom Limited (previously GNC, Gibraltar Nynex Communications Limited).

In 2009, the subsidiary company Gibraltar Telecommunications International Limited (Gibtel), whose assets and liabilities had been transferred to the parent company, was struck off as it was a non-trading subsidiary since its acquisition by GNC in 2001.

In 2016, the subsidiary Rockolo Limited, was established to handle the Company's data centres business at arm's length from the Group and began trading in 2017.

In 2017, Zinnia Limited was set up together with Zinniatel SL a company incorporated in Spain and fully owned by Zinnia Ltd, in order to operate an MVNO (Mobile Virtual Network Operator) in Spain. Gibconnect Limited, the former internet service provider subsidiary, remains a nominal non-trading company.

1. Principal Activities

Gibtelecom is registered in Gibraltar and is authorised under the Gibraltar Communications Act 2006 to provide various communication services. The Group's principal activities are the provision of fixed line, mobile, broadband and various business enterprise services, together with the supply of communications equipment in Gibraltar.

The Group is also a provider of data centre services in Gibraltar and a global communications carrier, through its ownership investment in submarine fibre optic cables and several technical points of presence in Europe.

2. Regulatory regime

During 2018, Gibtelecom was again designated by the Gibraltar Regulatory Authority (GRA) as the universal service provider for Gibraltar. This follows previous designations by the Authority in 2002, 2007, 2009, 2012 and 2015. As a result, Gibtelecom has, for the new one-year lifecycle (previously three) of the designation, to provide a baseline level of services to residents. Such services include the provision of payphones; telephone directories; measures for disabled persons; and provision of fixed line access and services. These are known as universal service obligations, or USO.

The Company continues to be assigned by the Regulator as having Significant Market Power (SMP) in each market which they have reviewed, other than in the wholesale fixed origination and wholesale SMS termination markets, both of which have been withdrawn. By having SMP status, Gibtelecom is required to adhere to strict and often onerous regulatory obligations, typically designed with much larger European operators in mind.

3. Reduce market churn and win back customers

Gibtelecom renewed its commitment towards innovation and continue to provide new services and products in order to retain loyal residential and business customers or regain those who have migrated away in the face of increasing and proactive competition. This is supported by the Company's ethos of providing the best customer experience, with top-quality services, made possible through a continuing technology investment program capable of delivering front-line infrastructure and products.

As in the previous year, in 2018 Gibtelecom experienced aggressive unfair unlicensed competition and subsequent losses in the broadband market, as unlicensed competitors bundled IPTV services with low cost fixed broadband. To this end, Gibtelecom's new digital entertainment system, Sofi, was launched in the first half of the year as a retention strategy to stop broadband customers loss. Take-up numbers have been encouraging, with broadband accounts showing a positive net increase in subscriptions for the first time in nearly thirty consecutive months. Some of these subscriptions were pre-existing Monster Bundle customers (inclusive of Sofi), but a substantial number of other customers also upgraded to Sofi.

The TV channels offered by Sofi are licensed through agreements with the various content and copyright holders and the Company continues to negotiate further agreements for additional channels. It is hoped that the inclusion of the most popular main UK terrestrial channels (for instance the on-demand BBCs and ITVs) will in due course further enhance the attractiveness of the Sofi product. As at the end of 2018, the Company's broadband market share is estimated at circa 56%.

Gibtelecom's Monster Bundle continued to prove popular with customers and has over 2,800 subscribers as at 31st December 2018. Further growth was experienced in the Premium Broadband product line with the introduction of a new Enterprise Fibre Broadband product specifically designed for small businesses which was launched in the early part of 2018. Mobile discount packages were also offered to local businesses and the Company is considering introducing other discount schemes for smaller businesses within the SME range. In addition, a discounted Monster Bundle package at £30 a month was introduced for old age pensioners.

A new revamped SelfCare online customer portal - 'My Gibtelecom' was also launched with several new and improved user-friendly facilities for customers, including being able to make and view payments; view mobile data consumption; purchase bundles and bolt-ons, amongst other features. An accompanying 'My Gibtelecom' mobile app is being trialled and will be ready for launch in 2019.

With the demise of Limba Mobile, Gibtelecom remains the only player in the local mobile market. Although roaming data volumes showed considerable growth in 2018, roaming revenues fell by 24% year on year. This was largely driven by the full year effect of Roam Like at Home and further EU wholesale price controls.

Gibtelecom actively negotiated inter-operator tariff (IOT) discount agreements with some 50 key operators and destinations to achieve wholesale savings, which will also assist in post Brexit scenario, throughout the year as part of a wider roaming services review. In addition, the retail roaming pricing structure remains under constant review with all partners with whom Gibtelecom has negotiated a wholesale deal during the year being placed in a more competitive zone. An attempt to reduce the number of zones in the retail pricing structure will be made in 2019. 4G roaming agreements have been launched with 26 operators in 17 countries year to date. 4G roaming is now available with 63 operators in 33 countries including 37 operators in the EEA, 2 in Switzerland, 5 in USA, and 19 in Rest of the World including Morocco. In addition, Prepaid mobile customers (Reload) can also use their mobile services in 102 countries across the globe, with 228 different operators.

2018 saw the successful installation of technology that will replace the ageing System X exchange and enhance the mobile voice product. The Company pressed ahead with its incremental upgrade strategy and the deployment of a geographically redundant IP Multimedia Subsystem (IMS) which will provide customers with a variety of new and improved services and features, including high-definition (HD) calling and instantaneous call setup times on their mobile devices through the introduction of Voice over LTE (VoLTE). IMS will also facilitate the introduction in due course of 5G mobile services in Gibraltar.

4. Grow the global and enterprise business

Gibtelecom already has an established global presence and network, spanning circa 20,000 km all the way to Asia. The Company sought new revenue avenues by exploring additional sales and lease opportunities leveraged on the Group's extensive global network, as well as stimulating enterprise services through the development of the Group's more focused data centres subsidiary, Rockolo.

The partnership with an Asian Telco which saw several network capacity deals in 2017 was further extended in 2018. Additional negotiations of this deal allowed Gibtelecom to acquire more capacity on other submarine cables into the Middle East and South Asia. Through these extensions of its global network it enables Gibtelecom to directly service carrier clients in these regions, as well as now being able to offer its customers direct connectivity and resilience from Europe to Singapore. It is estimated that the total revenue value of these deals is over £250k annually.

Several strategic and technical meetings were held with a third-party operator to progress the possibility of constructing a new submarine cable landing in Gibraltar. A desktop study was subsequently undertaken by a cable ship company in September 2018 and further high-level discussions took place to agree on the commercial model and its partner.

Agreements for the transfer of data centre-related assets from the parent Gibtelecom to the subsidiary Rockolo were completed during the year. Use of Rockolo Cloud Services continues to be steady, with sales generating around £17k per month. Total revenues from cloud services reached over the £130k mark by year end. In addition, some 40% growth target in IPLC revenue was achieved to circa £5.8m through various sales to enterprise customers and international carriers.

After extensive technical, regulatory, commercial and marketing work, the subsidiary company, Zinniatel SL launched its Mobile Virtual Network Operator (MVNO) operations in Spain in December 2018. Branded as "Lobster" it is the first mobile operator in Spain to offer a service that is fully in English. Lobster principal target are British expatriates, and other English speakers, who reside in Spain. The service will initially be available through online purchases but is expected to be extended to hundreds of points of sale across Spain.

Gibtelecom attended the XXVI Teleforum of Operators of Small States meeting in Luxembourg in May 2018. The Teleforum comprises former incumbent communications companies from states which have a population of up to 2 million. The Company also participated in several key international carrier and trade group events including the Mobile World Congress, the International Telecoms Week (ITW) and the World Submarine Cable Conference, amongst others. In addition, the Company sponsored several media and high-profile events, such as the e-Gaming Review (EGR) Awards and the Foreign Press Association (FPA) Media Awards.

5. Improve operational efficiencies

Containing costs and maximising value by improving efficiencies across all areas of its businesses is one of the top priorities for Gibtelecom. As in previous years, the Company continues to support its prime assets, including its employees and stakeholders, whilst being socially responsible through the strengthening of environmental policies.

The Company continues to actively manage its international voice business through quarterly reviews with interconnected carriers. To this end international voice settlements are on track and have been contained below £500k whilst inbound revenues have exceeded the target of £700k in the year, this despite lower volumes and pressures to reduce inbound termination rates.

The current collaboration systems used within the Technology Directorate was extended to other key areas of the business, with the aim of standardising the format by which project documentation and operational procedures are recorded and shared. This will have a positive impact on the way operational tasks are managed across departments. Along with the full integration of these platforms at the NOC and Rockolo, further expansion into other areas is ongoing and will roll into 2019.

The Company is actively looking at implementing an enhanced Corporate IT security strategy, aligned to ISO27001 and GDPR. This will lead to improved endpoint management capabilities for computer devices, including the rollout of full device encryption for portable systems that contain, or have access to, sensitive corporate information.

Gibtelecom continues to invest in recruiting and attracting local talent via the Sponsored Undergraduate initiative; Student Work Placements; and Employer Led Degree programme, as well as extensive tailored training opportunities for employees. In total over 827 training days by 93% of personnel was conducted during the year. In addition, a new company-wide development scheme Gibtelecom Aspirational Programme (GAP) was put in place in 2018. Spanning an eighteen-month period, it involves participation from all employees and concentrate around four areas of the business - communication; customer focus; leadership; management and business development.

For the third year running, Gibtelecom sponsored the Gibraltar World Music Festival (GWMF) and continued its support for the Gibraltar International Chess Festival, powering the technology that broadcasts the event around the world. Gibtelecom is also in a multi-year partnership with the Gibraltar Football Association (GFA) which has renamed the Association's premier cup competition to the Gibtelecom Rock Cup. The four-year deal started with the 2016/17 season and is designed to assist both the GFA and Gibtelecom in leveraging their national and international brands, as well as marking the commencement of a longer-term relationship between the two organisations.

The Company also sponsored and helped make a difference to nearly 55 local charities, cultural events and sporting organisations during the year including the final of three annual donations to Calpe House Trust. In conjunction with HM Government of Gibraltar Ministry for Sports, Culture, Heritage and Youth, the Company sponsored other events, including the Gibraltar Literary Festival.

Gibtelecom continued to reduce power consumption despite its expanding technological requirements. The Company is pursuing this by promoting power and carbon footprint reduction measures and conducting itself in an environmentally ethical manner. Power consumption was reduced by some 9% year on year. The Company runs a general energy saving program throughout its premises as well as ensuring the safe and environmentally friendly disposal and/or recycling of equipment and materials. Additionally, the Company is on track to meet EU carbon emissions target of 146g/Km on its light commercial vehicles (LCVs) before the 2020 deadline.

6. Future Developments

The Company sees the deployment of FTTH and 5G technology together with the provision of business enterprise services in Gibraltar and internationally as vital components of its future business strategy.

7. Principal risks

The loss of revenue through the relocation of the e-gaming business from Gibraltar coupled with the loss of suitably qualified staff as a result of Brexit are the principal risks to the Company in the immediate future.

8. Financial results

The Company's turnover has grown year-on-year by £0.7 million, mostly driven by the growth in Business customers and despite the increased competition at home and overseas, alongside reducing mobile and broadband charges. Albeit cost control, the profitability of the business measured with the EBITDA (Earnings Before Interest Tax Depreciation and Amortisation) margin was slightly lower at 32.6% (vs. 36.3% in 2017), producing profits after taxation of £5.6 million (2017: £6.2million). The dividends declared in the year 2018 were £2.6 million (2017: £6.0 million). In March 2018 a dividend pertaining to 2017 was distributed leading to a total dividend cash out in 2018 of £4.6 million.

The Group turnover has grown year-on-year by £1.2 million, mostly driven by the growth in Business customers, (including data centre facilities and services) and despite the increased competition at home and overseas, alongside reducing mobile and broadband charges. Albeit cost control, the profitability of the business measured with the EBITDA (Earnings Before Interest Tax Depreciation and Amortisation) margin has dropped to 32.6% (vs. 37.7% in 2017) mainly on account of the costs to launch our new MVNO in Spain. In 2018, the Group profits after taxation stand at £6.1million (2017: £7.1 million) where the Year on Year drop is driven by the EBITDA decline.

No further dividends recommended.

9. Directors

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

Fabian Picardo	Chairman	British
Noel Burrows	Chief Executive Officer	British (appointed 6 May 2019)
Sir Joe Bossano		British
Albert Mena		British
Adrian Moreno	Chief Executive Officer	British (appointed 22 January 2019 resigned 6 May 2019)
Tim Bristow	Chief Executive Officer	British (resigned 22 January 2019)

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, Noel Burrows, together with the Chief Operations Officer and three Operational Directors (Global and Business Development; Technology; and Customer Operations).

10. 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 2014.

Under that law the Directors have elected to prepare the financial statements in accordance with applicable law in Gibraltar and Gibraltar Financial Reporting Standards. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company and 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 Financial Reporting 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.

11. Auditor

The retiring auditor, Deloitte Limited, has been re-appointed by the Company's Annual General Meeting.

By order of the Board

....

Company Secretary

Date: 12 FEB 2020

C. INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GIBTELECOM LIMITED

1. Report on the audit of the consolidated financial statements

Opinion

In our opinion the consolidated financial statements of Gibtelecom Limited ("the Company") and its subsidiaries (together "the Group"):

- give a true and fair view of the state of affairs of the Group and the Company as at 31st December 2018 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with Gibraltar Generally Accepted Accounting Practice including Gibraltar Financial Reporting Standard 102; and
- have been prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated balance sheet;
- the company balance sheet
- the consolidated statement of changes in equity;
- the company statement of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law in Gibraltar and Gibraltar Financial Reporting Standards, including Gibraltar Financial Reporting Standard 102.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with applicable law in Gibraltar and Gibraltar Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

2. Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2014

In our opinion, based on the work undertaken in the course of the audit:

the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

the directors' report has been prepared in accordance with the requirements of the Companies Act 2014.

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 257 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Reshma Bhambhwani (Statutory Auditor)
For and on behalf of Deloitte Limited
Statutory Auditor
Merchant House
22/24 John Mackintosh Square
GX11 1AA Gibraltar

12 FEB 2020

D. CONSOLIDATED PROFIT AND LOSS ACCOUNT

Group	Note	2018 £	2017 £
Turnover	3	**42,039,802**	**40,841,025**
Operating expenses:			
Technical and infrastructure		(8,159,253)	(7,123,707)
Operational charges	8	(7,514,850)	(6,341,531)
Payments to telecommunications administrations		(1,895,044)	(1,984,711)
Staff costs	4	(10,765,045)	(10,018,796)
Depreciation	12	(4,462,626)	(4,983,999)
EIG Submarine Cable amortisation	14	(1,519,080)	(1,481,460)
Total operating expenses		**(34,315,898)**	**(31,934,204)**
Group operating profit		**7,723,904**	**8,906,821**
Gain on disposal of tangible fixed assets		16,385	18,564
Interest receivable on bank deposits		3,227	4,125
Interest payable and similar charges	9	(338,882)	(383,704)
Finance costs (financial component of pension charges)	23	(226,000)	(299,000)
Profit on ordinary activities before taxation		**7,178,634**	**8,246,806**
Tax on profit on ordinary activities	10	(1,087,408)	(1,167,372)
Profit on ordinary activities after taxation		**6,091,226**	**7,079,434**

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 parent Company made a profit for the year after taxation of £5,633,150 (2017: £6,203,748). The parent Company has not published its own profit and loss account in these consolidated financial statements.

The notes on pages 21 to 50 form part of these financial statements.

E. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Group	Note	2018 £	2017 £
Profit for the financial year		**6,091,226**	**7,079,434**
Other comprehensive income/(loss):			
Remeasurement gain / (loss) recognised in other comprehensive income	23	(373,000)	2,046,000
Movement in deferred tax relating to pension liability	10	(54,000)	(520,350)
Exchange differences arising from investments in foreign operations		43,260	0
Total comprehensive income for the year		**5,707,486**	**8,605,084**

The notes on pages 21 to 50 form part of these financial statements.

F. BALANCE SHEET

	Note	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Fixed assets:					
Tangible fixed assets	12	35,534,502	33,062,056	33,857,588	31,623,718
Investments	13	0	0	12,000	12,000
EIG submarine cable	14	9,367,621	10,886,701	9,367,621	10,886,701
Total fixed assets		**44,902,123**	**43,948,757**	**43,237,209**	**42,522,419**
Current assets:					
Stocks	15	1,463,806	1,486,484	1,463,806	1,486,484
Debtors					
due within one year	16	12,218,179	11,934,263	14,728,059	15,346,154
due after one year	16	464,697	535,119	464,697	535,119
Cash at bank and in hand		3,519,840	4,936,176	1,392,710	4,936,176
Total current assets		**17,666,522**	**18,892,042**	**18,049,272**	**22,303,933**
Creditors, due within one year	17	(10,465,661)	(11,342,813)	(10,579,206)	(14,204,052)
Net Current Assets		**7,200,861**	**7,549,229**	**7,470,066**	**8,099,881**
Total assets, less current liabilities		**52,102,984**	**51,497,986**	**50,707,275**	**50,622,300**
Non-current liabilities:					
Creditors, due after one year	18	(7,745,427)	(9,612,891)	(7,745,427)	(9,612,891)
Provisions for liabilities	19	(8,326,499)	(8,964,297)	(8,310,586)	(8,964,297)
Total non-current liabilities		**36,031,058**	**32,920,798**	**34,651,262**	**32,045,112**
Net Assets		**36,031,058**	**32,920,798**	**34,651,262**	**32,045,112**
Capital and Reserves:					
Called up share capital	20	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		21,031,058	17,920,798	19,651,262	17,045,112
Equity shareholders' funds		**36,031,058**	**32,920,798**	**34,651,262**	**32,045,112**

Approved by the Board on 12 FEB 2020

……………………
Director

……………………
Director

The notes on pages 21 to 50 form part of these financial statements.

G. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
As at 1st January 2017	**15,000**	**14,985,000**	**15,315,714**	**30,315,714**
Profit for the financial year	0	0	7,079,434	7,079,434
Remeasurement gain recognised in other comprehensive income (note 23)	0	0	2,046,000	2,046,000
Movement on deferred tax relating to pension schemes (note 16)	0	0	(520,350)	(520,350)
Total comprehensive income	**15,000**	**14,985,000**	**23,920,798**	**38,920,798**
Dividends	0	0	(6,000,000)	(6,000,000)
As at 31st December 2017	**15,000**	**14,985,000**	**17,920,798**	**32,920,798**

Group

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
As at 1st January 2018	**15,000**	**14,985,000**	**17,920,798**	**32,920,798**
Profit for the financial year	0	0	6,091,226	6,091,226
Remeasurement gain recognised in other comprehensive income (note 23)	0	0	(373,000)	(373,000)
Movement on deferred tax relating to pension schemes (note 16)	0	0	(54,000)	(54,000)
Foreign exchange difference	0	0	46,034	46,034
Total comprehensive income	**15,000**	**14,985,000**	**23,631,058**	**38,631,058**
Dividends	0	0	(2,600,000)	(2,600,000)
As at 31st December 2018	**15,000**	**14,985,000**	**21,031,058**	**36,031,058**

The notes on pages 21 to 50 form part of these financial statements.

H. COMPANY STATEMENT OF CHANGES IN EQUITY

Company	Called up share capital £	Share premium account £	Profit and loss account £	Total £
As at 1st January 2017	**15,000**	**14,985,000**	**15,315,714**	**30,315,714**
Profit for the financial year	0	0	6,203,748	6,203,748
Remeasurement gain recognised in other comprehensive income (note 23)	0	0	2,046,000	2,046,000
Movement on deferred tax relating to pension schemes (note 16)	0	0	(520,350)	(520,350)
Total comprehensive income	**15,000**	**14,985,000**	**23,045,112**	**38,045,112**
Dividends	0	0	(6,000,000)	(6,000,000)
As at 31st December 2017	**15,000**	**14,985,000**	**17,045,112**	**32,045,112**

Company	Called up share capital £	Share premium account £	Profit and loss account £	Total £
As at 1st January 2018	**15,000**	**14,985,000**	**17,045,112**	**32,045,112**
Profit for the financial year	0	0	5,633,150	5,633,150
Remeasurement gain recognised in other comprehensive income (note 23)	0	0	(373,000)	(373,000)
Movement on deferred tax relating to pension schemes (note 16)	0	0	(54,000)	(54,000)
Foreign exchange difference	0	0	0	0
Total comprehensive income	**15,000**	**14,985,000**	**22,251,262**	**37,251,262**
Dividends	0	0	(2,600,000)	(2,600,000)
As at 31st December 2018	**15,000**	**14,985,000**	**19,651,262**	**34,651,262**

The notes on pages 21 to 50 form part of these financial statements.

I. CONSOLIDATED CASH FLOW STATEMENT

Group	2018 £	2017 £
Cash flows from operating activities:		
Group operating profit	7,723,904	8,906,821
Depreciation and amortisation charges	5,981,706	6,465,459
Difference of pension charge and cash contributions	(572,894)	(1,469,000)
Decrease/(increase) in stocks	22,678	(405,119)
Increase in debtors	(148,413)	(523,498)
(Decrease)/increase in creditors	(1,116,068)	2,368,725
Decrease in other provisions for liabilities and charges	(132,000)	0
Interest paid	(345,879)	(381,120)
Corporation tax paid	(1,352,747)	(1,787,680)
Net cash flows from operating activities	**10,060,287**	**13,174,588**
Cash flows from investing activities:		
Interest received	3,227	4,125
Proceeds from sale of tangible fixed assets	16,385	19,000
Payments to acquire tangible fixed assets	(6,935,073)	(6,469,191)
Net cash flows from investing activities	**(6,915,461)**	**(6,446,066)**
Cash flows from financing activities:		
Equity dividends paid	(2,600,000)	(6,000,000)
Repayment of bank borrowings	(1,961,162)	(1,843,300)
Net cash flows from financing activities	**(4,561,162)**	**(7,843,300)**
Net decrease cash and cash equivalents	**(1,416,336)**	**(1,114,778)**
Cash and cash equivalents at the beginning of the year	**4,936,176**	**6,050,954**
Cash and cash equivalents at the end of the year	**3,519,840**	**4,936,176**

The notes on pages 21 to 50 form part of these financial statements.

J. NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

These financial statements have been prepared under the historical cost convention and in accordance with the accounting policies set out below, applicable legislation and Gibraltar Financial Reporting Standard 102 ("GFRS 102"), which is based on the United Kingdom Financial Reporting Standards.

Gibtelecom Limited ("the Company") is a private company limited by shares and company incorporated in Gibraltar. The address and registered office is given on page 5. As a communications business, the Company operates mobile, broadband and fixed networks in Gibraltar, providing a range of voice and data services and business enterprise products including data centres. The Company also operates a global fibre optic network, with points of presence in several European cities.

Gibraltar legislation applied in the preparation of these financial statements is the Companies Act 2014. The functional currency of the Group is considered to be pounds sterling because that is the currency of the primary economic environment in which the Group operates, albeit the Group carries out transactions in Euros and United States dollars.

A summary of the significant accounting policies is set out below.

1.1. Basis of consolidation

The consolidated financial statements deal with the financial statements of Gibtelecom Limited ("the Company") and its wholly owned subsidiaries, Gibconnect Limited, Rockolo Limited and Zinnia Limited as at 31st December 2018. In accounting for its shareholding in its non-trading subsidiaries, the Company 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 288(2) of the Companies Act 2014.

1.2. Going concern

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3. Turnover

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

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

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

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

1.4. Foreign currencies

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

1.5. Operating leases

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

1.6. Provision for doubtful debts

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

1.7. Tangible fixed assets

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

Tangible fixed assets are depreciated to their residual value in equal annual instalments over their estimated useful lives on a straight-line basis. The annual rates applied are set out below.

Plant and equipment	5% - 33%
Furniture, office equipment, software	15% - 33%
Motor vehicles	20% - 25%
Freehold land and building	2%
Leasehold land and building	2%

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

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

1.8. Impairment

Financial assets are subject to impairment review in accordance with GFRS 102 Section 27 'Impairment of assets' if there are events or changes in circumstances that indicate that their carrying amount exceeds their recoverable amount. The impairment review comprises a comparison of the carrying amount of the assets with their recoverable amount, which is the higher of net realisable value and value in use. The carrying value of the assets is written down by the amount of any impairment and this loss is recognised in the profit and loss account in the period in which it occurs. If the occurrence of an external event gives rise to the reversal of an impairment loss, the reversal is recognised in the profit and loss account and by increasing the carrying amount of the financial asset in the period in which it occurs. The carrying amount of the asset will only be increased up to the amount that it would have been had the original impairment not occurred.

1.9. Submarine cable

The Europe India Gateway (EIG) submarine cable system in which Gibtelecom has an ownership interest, is recognised as a prepayment in the balance sheet. This investment is amortised equally over the estimated useful life of the cable.

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

1.10. 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.

1.11. 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.

1.12. 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.

1.13. 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 measured at amortised cost using the effective interest method.

1.14. Provision for corporate restructuring costs

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

1.15. Cash flow statement

Cash flows are defined as increases or decreases in cash. The cash includes monies in hand and deposits with original maturities of three months or less.

1.16. 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.

1.17. Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not been reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences between the taxable profits and the results, as stated in the financial statements arise from the inclusion of gains and losses in tax assessments in periods different from those which are recognised in the financial statements.

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

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured on a non-discounted basis.

2. Critical accounting judgments and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The judgements, estimates and associated assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revisions affect only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2.1. Critical accounting judgements

Gibtelecom operates two funded defined-benefit pension schemes. The pension asset or liability recognised in the balance sheet is the value of the schemes' assets less the present value of the schemes' liabilities, as determined at year end under GFRS 102 Section 28 'Employee Benefits'.

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

The pension cost for the schemes is determined by the actuaries who analyse the current and past service costs, together with gains and losses on settlements and curtailments. These costs are included as part of staff costs. Current service cost is the actuarially calculated present value of the benefits earned by the active employees in each period. Past service cost is the actuarially calculated adjustment in the present value of scheme liabilities related to employee service in prior periods arising in the current period as a result of the guaranteed retirement benefits. Past service costs are recognised immediately in the profit and loss account.

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

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

2.2. Key sources of estimation uncertainty

Management believe that there are no areas of estimation uncertainty within the financial statements and relevant notes

3. Segmental reporting

Gibtelecom's sole activity is the provision of various communications and related services. The table below shows how Gibtelecom's turnover is broken down in the main areas of the business.

Group	2018 £	2017 £
Wireless	12,156,125	12,718,489
Fixed line rentals and voice	5,771,441	6,176,782
Fixed Broadband	3,480,707	4,376,841
National circuits	2,087,673	2,087,707
International circuits	14,130,949	11,958,948
Data Centres	3,082,005	2,860,113
Miscellaneous	1,330,902	662,145
Total turnover	**42,039,802**	**40,841,025**

4. Staff costs

Group	2018 £	2017 £
Wages and salaries	8,466,925	7,807,901
Social security costs	303,879	284,499
Pension costs	1,994,241	1,926,396
Total staff costs	**10,765,045**	**10,018,796**

Pension costs are calculated by the actuary in line with GFRS 102 to show the calculated current and past service costs of the schemes. The total current costs in 2018 were £1,933,000 (2017: £1,965,000). The difference to the figures reported above reflects other pension charges/credits effected by Gibtelecom.

In order to calculate what relates only to current year pension costs, the actuaries take into account the cash contributions effected during the year.

The total remuneration for key management personnel (24) comprising company, directorate and departmental leaders (note 5) for the year totalled £2,549,909 (2017: £2,443,644). This remuneration includes salaries, allowances, pension costs and any other allowances and benefits.

5. Employee information

The number of persons employed by Gibtelecom during the year is set out below under the various directorate responsibilities, with the comparative numbers for the prior year.

	As at 31st December		Average for the year	
Company	**2018 headcount**	**2017 headcount**	**2018 headcount**	**2017 headcount**
Chief Executive Officer and Chief Operations Officer:				
Corporate & Regulatory; Finance; Human Resources and support staff	17	17	17	17
Director Technology:				
Voice Services; Transport Networks; Technical Facilities; Networks Operation Centre; Mobile Radio; Information Technology; Information Systems, Enterprise Services & Data Centres and Broadband Networks	67	69	67	68
Director Customer Operations:				
External Plant; Buildings & Stores; and Customer Services	60	58	58	57
Director Global Business:				
Marketing and Business Development	10	11	10	11
Total headcount	**154**	**155**	**152**	**153**

6. Directors' emoluments

The directors of Gibtelecom did not receive emoluments from the Company for their services as directors during the year (2017: £nil). One director receives emoluments in his capacity as the Chief Executive Officer of the Company and under the provisions of the Companies Act 2014 [Schedule 16, paragraph 4], these emoluments are not disclosed, but are included in the total remuneration paid to key management (note 4).

7. Impairment of Haven building

Two valuations of the Haven building were performed during the year ended 31st December 2014 by independent third-party surveyors, yielding a highest value of £5,200,000 and it is not considered this would increase pending the redevelopment. The carrying value of the building on a cost basis as at 31st December 2014 was £6,181,355, and consequently the building value was impaired for the difference between these two amounts.

As at 31st December 2018, redevelopment of the building is still in the planning stage and the building is being carried at £5,200,000.

During 2019, a further valuation of the building has been carried out by an independent third-party surveyor, yielding a value of the property of £5,880,000.

8. Operating charges

Group	2018 £	2017 £
Included in operational charges are:		
Operating lease charges on rented properties	491,404	442,323
Foreign exchange gain/(loss)	44,326	(39,079)

9. Interest payable

Group	2018 £	2017 £
Interest payable on mortgage financing and bank loans	338,882	383,704

10. Tax on profit on ordinary activities

10.1. Analysis of charge for the year

Group	2018 £	2017 £
Current tax:		
Gibraltar corporation tax on profit for the year	(1,484,411)	(1,325,139)
Deferred tax:		
Deferred tax movement on capital allowances (see note 19)	235,798	157,767
Deferred tax movement on foreign operations	161,205	0
Tax on profit on ordinary activities	**(1,087,408)**	**(1,167,372)**
Total current and deferred tax relating to Other Comprehensive Income	**(54,000)**	**(520,350)**

10.2. Factors affecting tax charge for the year

Group	2018 £	2017 £
Profit on ordinary activities before taxation	7,178,634	8,246,806
Corporation tax at 20%	1,435,727	1,649,361
Effect of:		
Permanent timing differences (i)	(12,913)	0
Pension cost contribution in excess of net pension cost charge (ii)	(128,600)	(111,200)
Capital allowances in excess of depreciation (iii)	172,485	157,569
Separation of non-telecommunication activities (iv)	(113,927)	(114,102)
Development aid (v)	0	(256,489)
Availability of tax losses	163,880	0
Effect of tax rate of foreign subsidiaries	(32,241)	0
Corporation tax on profit for the year	**1,484,411**	**1,325,139**

The standard rate of Gibraltar corporation tax is 10%. However, utility providers, fuel suppliers and companies that enjoy a dominant position are required to pay a higher rate of 20%. Gibtelecom's activities are split between telecommunication activities and non - telecommunication activities. Telecommunication activities are subject to taxation at a higher rate of 20% given that this business is classified as a utility. Non-telecommunication activities are subject to the standard rate of taxation at 10%.

(i) Permanent timing differences

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

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

This tax charge relates to an adjustment made in respect of taxation on pension contributions, which are adjusted annually in line with the GFRS 102 actuarial valuations.

(iii) Capital allowances in excess of depreciation

The capital allowances in excess of depreciation represent the difference between the written down allowances taken by the Group for tax purposes and the depreciation reflected in the financial statements under GFRS 102 'Property, Plant and Equipment'.

(iv) Separation of non-telecommunication activities

This represents the separation of data centre income which is charged at a lower rate.

(v) Development aid

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

11. Dividends

	2018		2017	
Company	Total £	Pence per share	Total £	Pence per share
Final dividend paid in respect of the prior year	2,600,000	173.33	2,600,000	173.33
Interim dividend paid in respect of the current year	0	0.00	3,400,000	226.67
Total	**2,600,000**	**173.33**	**6,000,000**	**400.00**

On 13 December 2019 the Board of Directors approved an interim dividend of £1,000,000.

Following the requirements of GFRS 102 events after the end of the reporting period, this dividend will be reflected in the 2019 financial statement.

12. Tangible fixed assets

Group	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 1st January 2018	**2,731,571**	**5,147,915**	**12,411,977**	**67,761,835**	**2,441,133**	**747,977**	**91,242,408**
Additions	4,314,014	0	0	3,489,000	216,898	27,885	**8,047,797**
Transferred on completion	(1,112,724)	0	0	0	0	0	**(1,112,724)**
Disposals	0	0	0	(1,346,135)	0	(33,785)	**(1,379,920)**
At 31st December 2018	**5,932,861**	**5,147,915**	**12,411,977**	**69,904,700**	**2,658,031**	**742,077**	**96,797,561**
Accumulated depreciation:							
At 1st January 2018	**0**	**822,453**	**1,993,460**	**52,682,291**	**2,217,060**	**465,089**	**58,180,353**
Charge for the year	0	102,924	114,581	3,976,086	153,988	115,047	**4,462,626**
Disposals	0	0	0	(1,346,135)	0	(33,785)	**(1,379,920)**
At 31st December 2018	**0**	**925,377**	**2,108,041**	**55,312,242**	**2,371,048**	**546,351**	**61,263,059**
Net book value:							
At 31st December 2018	**5,932,861**	**4,222,538**	**10,303,936**	**14,592,458**	**286,983**	**195,726**	**35,534,502**
At 31st December 2017	**2,731,571**	**4,325,462**	**10,418,517**	**15,079,545**	**224,073**	**282,888**	**33,062,056**

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 1st January 2018	**2,731,571**	**5,147,915**	**12,411,975**	**66,175,665**	**2,441,133**	**747,977**	**89,656,236**
Additions	4,185,415	0	0	3,340,185	5,880	27,885	**7,559,365**
Transferred on completion	(1,112,724)	0	0	0	0	0	**(1,112,724)**
Disposals	0	0	0	(1,346,135)	0	(33,785)	**(1,379,920)**
At 31st December 2018	**5,804,262**	**5,147,915**	**12,411,975**	**68,169,715**	**2,447,013**	**742,077**	**94,722,957**
Accumulated depreciation:							
At 1st January 2018	**0**	**822,453**	**1,993,460**	**52,534,457**	**2,217,060**	**465,088**	**58,032,518**
Charge for the year	0	102,924	114,581	3,758,949	121,271	115,047	**4,212,772**
Disposals	0	0	0	(1,346,135)	0	(33,785)	**(1,379,920)**
At 31st December 2018	**0**	**925,377**	**2,108,041**	**54,947,271**	**2,338,331**	**546,350**	**60,865,370**
Net book value:							
At 31st December 2018	**5,804,262**	**4,222,538**	**10,303,934**	**13,222,444**	**108,682**	**195,727**	**33,857,588**
At 31st December 2017	**2,731,571**	**4,325,462**	**10,418,517**	**13,641,208**	**224,073**	**282,888**	**31,623,718**

12.1. Assets under construction/delivery

Assets under construction/delivery represent payments towards the development and expansion of the Group's technology facilities and the costs of the ongoing upgrade of the mobile system.

12.2. Assets pledged as security

Properties with a carrying value of £14,710,024 (2017: £14,710,024) are pledged as security for the borrowings of the Group in respect of premises. Details of the loans are disclosed in notes 17 and 18.

12.3. Leasehold land and building

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

13. Investments in subsidiaries

Details of the investments in subsidiaries, based on the subsidiary undertakings' latest unaudited financial statements as at 31st December 2018:

Company	2018 £	2017 £
At 31st December	**12,000**	**12,000**

Name of company	Country of registration	Holding	Proportion held	Nature of business	Share of total net assets £	Share of the year profit / (loss) £
Gibconnect Limited	Gibraltar	4,000 ordinary shares of £1 each	100%	Non-trading	4,000	0
Rockolo Limited	Gibraltar	4,000 ordinary shares of £1 each	100%	Data centre (hosting) services	1,843,263	955,181
Zinnia Limited (1)	Gibraltar	4,000 ordinary shares of £1 each	100%	Holding company	(9,376)	(13,376)

(1) Zinnia Limited fully owns Zinnia Telecommunicaciones SL (Zinniatel), a Spanish registered company running a Mobile Virtual Network Operation in Spain. As at 31 st December 2018, Zinniatel's shareholding comprised of €105,000 in share capital and €2,500,000 in Preference Shares.

14. EIG submarine cable

The Company entered into an agreement with several other parties (the 'consortium') during 2008 to construct a high capacity fibre-optic submarine cable system called the Europe India Gateway (EIG). One of the upgrades carried out on the system was finalised during 2015, resulting in a threefold increase in capacity in available MIU's (Minimum Investment Units) for the Company over the initial investment. A further upgrade was done during 2017 resulting in further costs of £307k. During 2018 the Company has not made any further payments towards the EIG cable hence the cumulative total of payments made as at 31st December 2018 remains as £20,480,200 (2017: £20,480,200), entitling the Company to circa 3.81% of the EIG's total capacity. The Company determines how it uses its EIG cable capacity but does not control end to end physical access and the specific fibres through which the data is transmitted. The EIG investment is recognised as a prepayment in the Company's balance sheet, with the prepayment being amortised over the estimated useful life of the cable.

The Company was able to start activating capacity on the EIG cable as from June 2012. Consequently, the asset was transferred out of 'assets under construction' and recognised as a prepayment on 1 June 2012 and amortised assuming a remaining useful life of 13.75 years from this date albeit the cable is expected to continue in use beyond this period.

Group and Company	2018 £	2017 £
At 1st January	12,405,781	13,580,086
Additions	0	307,155
Charged to the profit and loss account	(1,519,080)	(1,481,460)
At 31st December	**10,886,701**	**12,405,781**

Albeit the EIG cable is being amortised over a period of 13.75 years, the prepayment is split in the balance sheet between fixed assets and current assets as set out below.

Group and Company	2018 £	2017 £
Fixed assets	9,367,621	10,886,701
Current assets	1,519,080	1,519,080
Total	**10,886,701**	**12,405,781**

15. Stocks

Group and Company	2018 £	2017 £
Goods for resale or consumption	1,463,806	1,486,484

16. Debtors

	Group		Company	
	2018 £	2017 £	2018 £	2017 £
Amounts falling due within one year:				
Trade debtors	3,781,918	6,362,280	6,701,317	9,789,893
Other debtors and prepayments	4,601,053	1,826,244	4,352,740	1,729,497
Deferred tax asset on foreign operations	161,206	0	0	0
Corporation tax	629,122	646,859	629,122	727,884
Deferred tax asset on pension liability	1,525,800	1,579,800	1,525,800	1,579,800
EIG submarine cable (see note 14)	1,519,080	1,519,080	1,519,080	1,519,080
Total	**12,218,179**	**11,934,263**	**14,728,059**	**15,346,154**

	2018 £	2017 £	2018 £	2017 £
Amounts falling due after one year (1):				
Prepaid capacity use of SMW4 cable	416,667	487,089	416,667	487,089
Security deposits	48,030	48,030	48,030	48,030
Total	**464,697**	**535,119**	**464,697**	**535,119**
Total debtors	**12,682,876**	**12,469,382**	**15,192,756**	**15,881,273**

(1) excluding the EIG cable

	2018 £	2017 £	2018 £	2017 £
Deferred tax asset on pension liability				
At 1st January	**1,579,800**	**2,100,150**	**1,579,800**	**2,100,150**
Charged to other comprehensive income	(54,000)	(520,350)	(54,000)	(520,350)
At 31st December	**1,525,800**	**1,579,800**	**1,525,800**	**1,579,800**

17. Creditors: amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Trade creditors	3,571,616	3,147,420	3,800,783	3,136,547
Amounts due to subsidiaries (1)	0	0	12,000	12,000
Bank borrowings	1,524,646	1,724,742	1,524,646	1,724,742
Other creditors	38,719	32,021	25,025	32,021
PAYE and social insurance	176,097	162,388	176,097	162,388
Corporation tax	113,927	0	0	0
Accruals and deferred income	5,040,656	6,276,242	5,040,656	9,136,354
Total	**10,465,661**	**11,342,813**	**10,579,207**	**14,204,052**

(1) unpaid share capital

17.1. Bank borrowings

Gibtelecom has four loan facilities in place, and as at 31st December 2018 the total balance due within one year was £1,524,646 (2017: four loans totalling £1,724,742) and a further £5,714,045 (2017: four loans totalling £7,249,113) is due after one year (note 18).

17.2. 15/21 John Mackintosh Square

Mortgage finance on the Company's freehold premises at 15/21 John Mackintosh Square, taken out in June 2010 following construction of this building, has a total balance outstanding of £2,030,092 as at 31st December 2018 (2017: £2,364,519). The loan is secured by the lending bank through a first legal charge on the property. Repayment terms on this loan are quarterly repayments of £106,750 (includes capital plus interest) with interest rate charged at 3.5% above LIBOR and maturity date is October 2019.

17.3. Mount Pleasant

Mount Pleasant, a building which has always been associated with telecommunications in Gibraltar, currently houses one of the Company's technology centres, the Network Operations Centre and Rockolo data centres together with some related office facilities. The Mount Pleasant mortgage on this leasehold premises, acquired by the Company on 1 January 2009, has a balance repayable of £236,250 (2017: £708,750) as at 31st December 2018 and is secured by the lending bank through a first legal charge over the property. Repayment terms on this loan are quarterly repayments of £59,063 (includes capital only) with interest rate charged at 4.0% above LIBOR and maturity date is February 2019.

17.4. EIG submarine cable system

The EIG (Europe India Gateway) submarine cable consortium comprises various telecommunications companies, including Gibtelecom. The cable is a 15,000 kilometre system connecting three continents (Europe, Africa and Asia) with 13 sea landings, including Gibraltar. Gibtelecom's investment in the project is circa $31.6 million which currently equates to a circa 4.1% ownership in the EIG consortium. As at 31st December 2018 the balance of the EIG loan of £8,000,000 remaining to be repaid was £1,372,349 (2017: £2,300,587). The bank loan agreement provides for the Company to adhere to covenants on net tangible assets and borrowings, together with the debt servicing liability. Repayment terms on this loan are quarterly repayments of £252,000 (includes capital plus interest) with interest rate charged at 3.5% above LIBOR and maturity date is April 2020.

17.5. Haven building

Gibtelecom purchased the leasehold Haven building in John Mackintosh Square from HM Government of Gibraltar in January 2014. As at 31st December 2018 the balance repayable on the loan stood at £3,600,000 (2017: £3,600,000), with the loan secured by the lending bank with a first legal charge over the property. The Haven building, built in 1972, was originally planned to house the then Gibraltar Government Telephone Department. Gibtelecom and its predecessors have occupied since inception part of this building, where some of the Company's fixed, mobile and broadband technologies are housed. The building is located adjacent to Gibtelecom's headquarters at 15/21 John Mackintosh Square, from which it can be accessed. Similarly, there is a footbridge connecting the Haven building to the City Hall in John Mackintosh Square which is also partly occupied by Gibtelecom. This loan is currently an interest only loan to allow the Company time to complete the Haven Building redevelopment plans.

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

Group and Company	2018 £	2017 £
Mortgage finances:		
15/21 John Mackintosh Square	1,690,799	2,031,101
Mount Pleasant	0	236,250
Haven building	3,600,000	3,600,000
Bank borrowings:		
EIG submarine cable system	423,246	1,381,761
Accruals and deferred income:		
EIG onward sale of capacity deferred revenue	2,031,382	2,363,780
Total	**7,745,427**	**9,612,892**

Maturity profile of bank loans

The maturity profile of the carrying amount of the bank loans falling due after more than one year at 31st December 2018 was as follows:

Group and Company	2018 £	2017 £
In more than one year but not more than two years	1,122,539	1,848,492
In more than two years but not more than five years	2,097,877	2,543,193
In more than five years	2,493,629	2,857,429
Total	**5,714,045**	**7,249,114**

See note 17 for the carrying amount of the bank loans falling due within one year as at 31st December 2018.

19. Provisions for liabilities

Group	Corporate restructuring £	Deferred tax liability £	Net defined benefits pension deficit £	Total £
At 1st January 2018	**(132,000)**	**(933,297)**	**(7,899,000)**	**(8,964,297)**
Payments made during the year	132,000	0	0	132,000
Charged to the profit and loss account	0	235,798	270,000	505,798
At 31st December 2018	**0**	**(697,499)**	**(7,629,000)**	**(8,326,499)**

Company	Corporate restructuring £	Deferred tax liability £	Net defined benefits pension deficit £	Total £
At 1st January 2018	**(132,000)**	**(933,297)**	**(7,899,000)**	**(8,964,297)**
Payments made during the year	132,000	0	0	132,000
Charged to the profit and loss account	0	251,711	270,000	521,711
At 31st December 2018	**0**	**(681,586)**	**(7,629,000)**	**(8,310,586)**

19.1. Corporate restructuring costs

The Group had in place a corporate restructuring programme that offered employees a voluntary separation package from time to time. In 2018, the restructuring costs accrued under this programme were £nil (2017: £132,000).

In total, as at 31st December 2018, some 48 employees had left Gibtelecom since 2003 under the Company's various voluntary separation schemes, including through individual early retirements.

19.2. Deferred tax provision

Group	2018 £	2017 £
At 1st January	**(933,297)**	**(1,091,064)**
Charged to the profit and loss account	235,798	157,767
At 31st December	**(697,499)**	**(933,297)**

The deferred tax liability is broken down as follows:

Company	2018 £	2017 £
Accelerated capital allowances	(697,499)	(933,297)

20. Called up share capital and reserves

Group and Company	2018 £	2017 £
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
Total shares	**15,000**	**15,000**

Group and Company	2018 £	2017 £
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. There are no differences in the rights and restrictions attached to these share classes.

The profit and loss reserve represents cumulative profits or losses.

21. Analysis of net cash, liquid resources and borrowings

Group	Bank balances £	Less bank loans £	Total Net debt £
At 31st December 2017	**4,936,176**	**(8,973,853)**	**(4,037,677)**
Cash movement	(1,416,336)	1,735,162	318,826
At 31st December 2018	**3,519,840**	**(7,238,691)**	**(3,718,851)**

Company	Bank balances £	Less bank loans £	Total Net debt £
At 31st December 2017	**4,936,176**	**(8,973,853)**	**(4,037,677)**
Cash movement	(3,543,466)	1,735,162	(1,808,304)
At 31st December 2018	**1,392,710**	**(7,238,691)**	**(5,845,981)**

22. Reconciliation of net cash flow to movement in net debt

Group

	2018 £	2017 £
Net debt as at 1st January	**(4,037,677)**	**(4,621,866)**
Movement in cash	(1,416,336)	(1,114,778)
Movement in borrowings	1,735,162	1,698,964
Net debt as at 31st December	**(3,718,851)**	**(4,037,680)**

Company

	2018 £	2017 £
Net debt as at 1st January	**(4,037,677)**	**(4,621,866)**
Movement in cash	(3,543,466)	(1,114,778)
Movement in borrowings	1,735,162	1,698,964
Net debt as at 31st December	**(5,845,981)**	**(4,037,680)**

23. Pension commitments

23.1. Overview

The Company operates two pension schemes for Gibtelecom employees. First, the Gibraltar Nynex Communications Limited Staff Pension Scheme (GNC scheme) which cover the former GNC employees and most new joiners to Gibtelecom since 2002. Second, the Gibtel Pension Fund for the former Gibtel employees which has since 2002 been closed to new members. Both schemes provide defined retirement benefits based on final pensionable salary. The Company has looked at the possibility of bringing the two pension schemes closer together, possibly through a merger of the funds, but has not proceeded in this direction at this time.

The normal retirement age of the Company is 65 years of age. However, the members of both pension schemes employed prior to 1 June 2011 can elect to retain the previous normal retirement age of 60 years.

The GNC Scheme is contracted out to a pensions provider, Clerical Medical Investment Group Limited (CMIG).

23.2. Actuarial reviews

The latest independent triennial actuarial valuations of the two schemes were carried out as at 1 August 2017, completed in July 2019 and the recommendations adopted by the Company have taken effect as from 1 August 2019.

The actuarial valuations as per GFRS 102 as at 31st December 2018 were completed in October 2019 for both schemes and are based on an update of the triennial valuation carried out as at 1 August 2017, thereby introducing an element of approximation relative to the result of hypothetical full actuarial valuations for GFRS 102 as at 31st December 2018.

Future service contribution rates and past service deficit contributions are derived from the triennial actuarial valuation carried out as at 1 August 2014, completed in July 2017.

23.3. Contributions

Under the GNC Scheme, the employers' contributions are 32% of basic salaries (31% calculated in the 2014 Triennial valuation). The Company's total contributions to the GNC Scheme for 2018 amounted to £2,034,000 (2017: £1,860,000). These contributions also include an additional annual contribution made during the year of £270,000 (2017: £270,000) which cover past service liabilities. There were no exceptional pensions payments effected in respect of voluntary separations in 2018 (2017: £nil).

The additional annual contribution for past service liabilities calculated by the Triennial actuarial valuation as at 1 August 2014 assumes that the past service liability deficit will be recovered over a period of 6 years starting in August 2016 and finishing in August 2022. The actuarial valuation as at 1 August 2014 indicated that the GNC Scheme's obligations in respect of past service liabilities exceeded the value of the assets of the Scheme at that date by £2,691,000, with the level of asset cover being 87% at the valuation date. The actuarial valuation as at 1 August 2017 indicated that the GNC Scheme's obligations in respect of past service liabilities exceeded the value of the assets of the Scheme at that date by £3,321,000, with the level of asset cover being 88% at the valuation date.

Under the Gibtel Scheme, the employers' contributions are 32% of basic salaries and the employees' contribution is 5% or 6.5% depending on the individual's circumstances. The Company's total contributions to the Gibtel Scheme for 2018 amounted to £810,000 (2017: £980,000). These contributions also include an additional annual contribution made during the year of £650,475 (2017: £619,500) which cover past service liabilities. There were no exceptional pensions payments effected in respect of voluntary separations in 2018 (2017: £nil).

The additional annual contribution for past service liabilities calculated by the Triennial actuarial valuation as at 1 August 2014 is based on the assumption that the past service liability deficit will be recovered over a period of 10 years starting in January 2016 and finishing in January 2025. This annual contribution also includes a notional amount of circa £ 25,000 per annum covering the difference between the 32% employer contribution used by the Company and the 34.7% contribution calculated in the 2014 Triennial valuation. The actuarial valuation as at 1 August 2014 indicated that the Gibtel Scheme's obligations in respect of past service liabilities exceeded the value of the assets of the Scheme at that date by £6,000,000, with the level of asset cover being 71% at the valuation date. The 2017 Gibtel Scheme valuation indicated that the Scheme's obligations in respect of past service liabilities exceed the value of the assets of the fund at that date by £7,250,000. The level of asset cover is 72% at the valuation date.

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

Valuations of both schemes, for the purposes of GFRS 102 section 28 were carried out at 31st December 2018 by qualified actuaries.

Under GFRS 102 Section 28 rules, all physical payments made during the year, irrespective of the periods they relate to, are fully utilised to reduce the pension liability at the time of payment.

The GNC Scheme has purchased annuities with CMIG in respect of pensioners and dependents when members retire. Prior to the introduction of GFRS102, together with a new Statement of Recommended Practice (SORP) in 2015, there was no requirement to include the cost, or market value, of the insured annuities in the Scheme's accounts. A voluntary note was nevertheless made in the Scheme's accounts to show the total cash cost of the annuities purchased to date. However, as from 2017, the introduction of the new accounting rules made it a requirement for annuities to be valued annually at the amount of the related obligation if the annuities were held in the name of the trustees.

After an extensive review by legal advisors, actuaries, accountants and financial advisors in 2017, it was concluded that, although the annuities were taken out in the members' names, the Scheme had legal title and therefore the annuities required revaluation in the GNC Scheme accounts. Following discussions with the Scheme Actuaries and the Company's auditors, the Company decided to value these annuities and to include them in both the valuation of the Defined Benefit Obligations (DBO), and the assets for the year ending 31st December 2016 and onwards.

23.5. Main assumptions

As at 31st December 2017 and 2018, the Directors have set the major assumptions as set out below, based on reviews and recommendations made by actuaries:

Group and Company	2018	2017
Rate of increase in salaries	2.4%	2.5%
Rate of increase in pensions payment	3.0%	3.0%
Discount rate	3.0%	2.7%
Inflation	2.2%	2.3%

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

Group and Company	2018	2017
Male aged 60 now	26.3 years	26.5 years
Male aged 45 now, from 60	27.4 years	27.6 years
Female aged 60 now	28.8 years	28.5 years
Female aged 45 now, from 60	29.9 years	29.7 years

23.6. GNC Scheme

(i) Analysis of the scheme assets:

GNC scheme	2018 £	2017 £
Pension contracts	44,196,000	43,526,000
Market value of assets	**44,196,000**	**43,526,000**
Present value of liabilities	(43,505,000)	(42,765,000)
Net pension asset / (liability)	**691,000**	**761,000**

The scheme has a number of purchased annuities in respect of past retirements.

Following discussions with the Scheme Actuaries and the Company's auditors in 2017, the Company decided to value these annuities under GFRS 102 and have included these in the valuation of the Defined Benefit Obligations (DBO) and the assets for the year ending 31st December 2016 onwards.

(ii) Analysis of amounts charged to operating profit:

GNC scheme	2018 £	2017 £
Current service cost	(1,543,000)	(1,605,000)
Administration costs	(12,000)	0

(iii) Analysis of amounts charged to finance costs:

GNC scheme	2018 £	2017 £
Net interest on net defined benefit liability	4,000	(49,000)

(iv) Analysis of amounts recognised in consolidated statement of comprehensive income:

GNC scheme	2018 £	2017 £
Actuarial gain / (loss) arising during the year	831,000	4,770,000
Return on plan assets less than discount rate	(1,384,000)	(3,094,000)
Actuarial gain / (loss) recognised in consolidated statement of comprehensive income	**(553,000)**	**1,676,000**

(v) Amount included in the balance sheet arising from the Company's obligations in respect of its defined benefit scheme:

GNC scheme	2018 £	2017 £
Present value of defined benefit obligations	(43,505,000)	(42,765,000)
Fair value of scheme assets	44,196,000	43,526,000

(vi) Movement in the present value of defined benefit obligations:

GNC scheme	2018 £	2017 £
At 1st January	**(42,765,000)**	**(45,342,000)**
Current service cost	(1,543,000)	(1,605,000)
Interest costs	(1,191,000)	(1,259,000)
Actuarial gain / (loss)	831,000	4,770,000
Benefits paid	1,163,000	671,000
At 31st December	**(43,505,000)**	**(42,765,000)**

(vii) Movement in the fair value of schemes assets at the balance sheet date:

GNC scheme	2018 £	2017 £
At 1st January	**43,526,000**	**44,221,000**
Total return on plan assets	(189,000)	(1,884,000)
Employer contributions	2,034,000	1,860,000
Benefits paid	(1,163,000)	(671,000)
Administrative costs paid	(12,000)	0
At 31st December	**44,196,000**	**43,526,000**

23.7. Gibtel Scheme

(i) Analysis of the scheme assets:

Gibtel scheme	2018 £	2017 £
Equities	8,197,200	8,971,200
Debt securities	6,593,400	6,728,400
Cash and other assets	3,029,400	2,990,400
Market value of assets	**17,820,000**	**18,690,000**
Present value of liabilities	(26,140,000)	(27,350,000)
Net pension asset / (liability)	**(8,320,000)**	**(8,660,000)**

(ii) Analysis of amounts charged to operating profit:

Gibtel scheme	2018 £	2017 £
Current service cost	(390,000)	(360,000)
Administration costs	(30,000)	(20,000)

(iii) Analysis of amounts charged to finance costs:

Gibtel scheme	2018 £	2017 £
Net interest on net defined benefit liability	(230,000)	(250,000)

(iv) Analysis of amounts recognised in consolidated statement of comprehensive income:

Gibtel scheme	2018 £	2017 £
Actuarial gain / (loss) arising during the year	1,630,000	(400,000)
Return on plan assets less than discount rate	(1,450,000)	770,000
Actuarial gain / (loss) recognised in consolidated statement of comprehensive income	**180,000**	**370,000**

(v) Amount included in the balance sheet arising from the Company's obligations in respect of its defined benefit scheme:

Gibtel scheme	2018 £	2017 £
Present value of defined benefit obligations	(26,140,000)	(27,350,000)
Fair value of scheme assets	17,820,000	18,690,000

(vi) Movement in the present value of defined benefit obligations:

Gibtel scheme	2018 £	2017 £
At 1st January	**(27,350,000)**	**(26,570,000)**
Current service cost	(390,000)	(360,000)
Interest costs	(740,000)	(720,000)
Actuarial gain / (loss)	1,630,000	(400,000)
Benefits paid	770,000	760,000
Participants' contributions	(60,000)	(60,000)
At 31st December	**(26,140,000)**	**(27,350,000)**

(vii) Movement in the fair value of schemes assets at the balance sheet date:

Gibtel scheme	2018 £	2017 £
At 1st January	**18,690,000**	**17,190,000**
Total return on plan assets	(940,000)	1,240,000
Employer contributions	810,000	980,000
Benefits paid	(770,000)	(760,000)
Administrative costs paid	(30,000)	(20,000)
Participants' contributions	60,000	60,000
At 31st December	**17,820,000**	**18,690,000**

23.8. Both Schemes

(i) Analysis of the schemes assets:

Both schemes	2018 £	2017 £
Pension contracts	44,196,000	43,526,000
Equities	8,197,200	8,971,200
Debt securities	6,593,400	6,728,400
Cash and other assets	3,029,400	2,990,400
Market value of assets	**62,016,000**	**62,216,000**
Present value of liabilities	(69,645,000)	(70,115,000)
Net pension asset / (liability)	**(7,629,000)**	**(7,899,000)**

(ii) Analysis of amounts charged to operating profit:

Both schemes	2018 £	2017 £
Current service cost	(1,933,000)	(1,965,000)
Administration costs	(42,000)	(20,000)

(iii) Analysis of amounts charged to finance costs:

Both schemes	2018 £	2017 £
Net interest on net defined benefit liability	(226,000)	(299,000)

(iv) Analysis of amounts recognised in consolidated statement of comprehensive income:

Both schemes	2018 £	2017 £
Actuarial gain / (loss) arising during the year	2,461,000	4,370,000
Return on plan assets less than discount rate	(2,834,000)	(2,324,000)
Actuarial gain / (loss) recognised in consolidated statement of comprehensive income	**(373,000)**	**2,046,000**

(v) Amount included in the balance sheet arising from the Company's obligations in respect of its defined benefit scheme:

Both schemes	2018 £	2017 £
Present value of defined benefit obligations	(69,645,000)	(70,115,000)
Fair value of schemes assets	62,016,000	62,216,000

(vi) Movement in the present value of defined benefit obligations:

Both schemes	2018 £	2017 £
At 1st January	**(70,115,000)**	**(71,912,000)**
Current service cost	(1,933,000)	(1,965,000)
Interest costs	(1,931,000)	(1,979,000)
Actuarial gain / (loss)	2,461,000	4,370,000
Benefits paid	1,933,000	1,431,000
Participants' contributions	(60,000)	(60,000)
At 31st December	**(69,645,000)**	**(70,115,000)**

(vii) Movement in the fair value of schemes assets at the balance sheet date:

Both schemes	2018 £	2017 £
At 1st January	**62,216,000**	**61,411,000**
Total return on plan assets	(1,129,000)	(644,000)
Employer contributions	2,844,000	2,840,000
Benefits paid	(1,933,000)	(1,431,000)
Administrative costs paid	(42,000)	(20,000)
Participants' contributions	60,000	60,000
At 31st December	**62,016,000**	**62,216,000**

24. Related party transactions

The directors consider HM Government of Gibraltar, by virtue of being the ultimate shareholder of Gibtelecom, to be a related party.

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

25. Capital commitments

As at 31st December 2018, the Group had ongoing commitments for capital expenditure of £3,548,700 (£2017: £6,035,200) and Company had ongoing commitments for capital expenditure of £3,392,700 (2017: £5,843,600). The latest operational capital budgets for 2019 for the Group is £13,498,000 and for the Company is £13,123,000 (2018 Group: £10,529,000 and Company: £10,090,000) excluding further EIG submarine cable investment.

26. Financial commitments

The Group has annual lease payments totalling approximately £491,400 (2017: £472,800) and the Company has annual lease payments totalling approximately £344,800 (2017: £336,000) per annum. The Group holds a variety of leases whose terms vary from 1 month notice to 20 years. These leases are reviewed as and when required.

27. Ultimate controlling parties

The directors consider HM Government of Gibraltar to be the ultimate controlling party by virtue of holding 100% of the legal interest in the share capital of Gibtelecom.

28. Contingent liability

The Company is involved in an ongoing legal case in respect of the right of use of some assets. At present, there are no certainties in relation to the outcome of this legal case which may or may not crystallise in an outflow of resources embodying economic benefits.

29. Subsequent events

Noel Burrows was appointed as the new Chief Executive Officer of Gibtelecom Limited effective 6 May 2019. He joined as a member of the Board of Directors of the Company on the same day, and as a director of the subsidiaries Zinnia Limited and Rockolo Limited on 30 May 2019 and 11 June 2019 respectively.

End