Gibtelecom

CONSOLIDATED ANNUAL REPORT

31st DECEMBER 2020

Company registration number: 37905

CONTENTS

A. DIRECTORS AND OTHER INFORMATION

Directors:	Fabian Picardo	Chairman
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B. DIRECTORS' REPORT

1. Our CEO message

As a result of the Covid-19 pandemic 2020, in general, was a difficult year. The multiple challenges posed by the virus have served to highlight the vital role Gibtelecom plays in supporting families, businesses, and communities across Gibraltar and beyond.

Gibtelecom is a force for good and I am proud of the way in which the company has risen to the complex and demanding tasks involved in keeping our customers and the societies we serve connected during the pandemic.

The resilience and performance of our networks have been fundamental – supporting our critical public services, keeping customers online, and breaking down the barriers of isolation for families. This is a human effort, as well as a technological one, and I pay tribute to our colleagues whose endeavours have kept Gibraltar connected.

Despite the decline in revenue which can be attributed to unavoidable lockdown-related decline in mobile usage and roaming revenues, strong cost controls have enabled us to deliver a strong financial performance, with £8.0 million EBITDA.

We continued to invest and grow our network, to help people keep connected. We launched the fastest full Fibre broadband product in Gibraltar, delivering synchronous speeds of up to 1Gigabyte. The rollout of the fibre network will continue through 2022 as we look to rollout to the whole of Gibraltar, replacing our existing copper network.

Just as we're switching fixed networks from copper to fibre, in mobile the shift from 4G to 5G has begun. We started the build of our new 5G network in 2020, with the launch made in 2021.

Our continuing focus is to play a bigger role in supporting Gibraltar's recovery from Covid-19. Connectivity has never been more important and Gibtelecom continues to play a significant part in delivering this.

2021 will bring many further challenges but we should approach them knowing that we have what it takes to keep Gibraltar connected.

2. Scope of this report

The Directors present their report, business review and the audited financial statements for the year ended 31st December 2020 for Gibtelecom Limited ("the Company") and its subsidiaries (together "Gibtelecom group" or the "Group").

3. Gibtelecom in brief

Gibtelecom is the main Telecom operator in Gibraltar. It operates as a quad player and provides fixed line telephony, mobile communications, fixed broadband and TV. It also offers a wide range of Enterprise communication services together with the supply of networks and communications equipment in Gibraltar.

The Gibtelecom group is also a provider of data centre services in Gibraltar and a global communications carrier, through its investments in submarine fibre optic cables and several technical points of presence and interconnection points in Europe, Africa, Middle East and Asia.

Through its fully owned subsidiary Zinnia Telecommunicaciones SL, Gibtelecom group also provides mobile services in Spain under the brand name Lobster.

4. Gibtelecom history

The Group has been trading as Gibtelecom since July 2002. As from 2003 this name was formally adopted by the Company which was then incorporated as Gibtelecom Limited (previously GNC, Gibraltar NYNEX Communications Limited).

In 2001, GNC which was the incumbent fixed line operator in Gibraltar acquired Gibtel Ltd which operated the mobile network in the territory of Gibraltar. 2001 hence marks the beginning of the convergence for two companies which are deeply rooted in the history of the telecommunications in Gibraltar.

The origin of Gibtel can be traced back to 1869 with the establishment of the Falmouth, Gibraltar & Malta Telegraph Company, subsequently acquired by Cable & Wireless in 1928.

GNC was initially the telecommunication department of the Government of Gibraltar established in 1926. In 1990, the Government of Gibraltar sold 50% of its shares to the American Company NYNEX Corporation, then Verizon Communication.

In 2007, Verizon sold its shares to Telekom Slovenije, the incumbent operator in Slovenia which then sold to the Government of Gibraltar in 2015. Since this date, Gibtelecom is fully owed by the Government of Gibraltar and operate as a corporate company.

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

In 2017, Zinnia Limited was established 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.

In December 2018, this MVNO was launched in Spain under the brand Lobster.

In July 2020, Rockolo Sdn. Bhd. was incorporated in Malaysia in order to operate a data centre in Asia, and act as a relay of growth for the Gibraltar based activities.

In July 2020, Gibraltar Telecom (UK) Ltd was incorporated in the UK to serve as a consulting company.

5. Regulatory regime

Gibtelecom is authorised to operate in Gibraltar under the Gibraltar Communications Act 2006.

In 2020, Gibtelecom was again, designated by the Gibraltar Regulatory Authority (GRA) as the universal service provider for Gibraltar. This follows previous designations by the Authority since 2002. As a result of the designation, Gibtelecom has to provide a baseline level of services to residents. Such services include the provision of payphones; telephone directories; measures for disabled persons and affordability of tariffs; and provision of fixed line access and services. These are known as universal service obligations (USO).

The Company continues to be qualified by the Regulator as having Significant Market Power (SMP) in each market that they have reviewed (except the wholesale fixed origination market and the wholesale SMS termination market, which have been withdrawn from the SMP). 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.

Zinnia Telecommunicaciones SL is registered in Spain and is authorised under the “Ley General de Telecomunicaciones” to provide mobile virtual network operator services.

6. Consumer vertical

Consumer revenues were maintained at £10.2 million (2019: £10.3 million), despite being heavily impacted by the Covid-19 pandemic, uncertainties surrounding Brexit, and more aggressive competition from both local and international service providers.

Fixed line services

	31-Dec-2020	31-Dec-2019
Number of customers	9,071	9,616

Fixed line revenues experienced a drop of 10% year-on-year to circa £1.5 million due to the natural global decline witnessed by traditional fixed line services. With consumers increasing use of mobile, VoIP and OTT alternatives, and depending less on PSTN to make calls. As a result, Gibtelecom has seen a drop of circa 900 consumer telephone lines during the year, to 8,200 residential customers at the end of the year.

Landline usage however increased during this same period by circa 11% to over 18.1 million originated minutes (to national and international). This was fuelled by the national lockdown and other social distancing measures imposed by the Covid-19 pandemic, resulting in most of the population working remotely from home. International call usage revenue had already been negatively impacted by the implementation of some EU driven retail price controls implemented in May 2019 trailing over into 2020.

In November 2020, landline rentals were increased by £2 per month to £10. This price review is the first for almost 10 years and aims at compensating for Retail Price Index increases over time at an average annual rate of around 2%. At the same time, both local and international call rates were also updated and significantly simplified, abolishing multiple charging periods and adopting a single rate per minute across any time of the day. Calls are now charged at 2p per minute to local landlines, 12p per minute to mobiles and there is now a single rate of 16p per minute for international calls to anywhere in the EEA. Charging intervals across all services are being standardised, removing call connection fees, and introducing per second billing after a one-minute minimum charge.

In August 2020, prior to implementing these adjustments, two new all-inclusive landline plans were also introduced now carrying monthly allowances of either 250 local minutes or unlimited local minutes for only £14 or £19 per month respectively. These plans can also be further enhanced with an international add-on of 100 minutes to a few popular international destinations for just £5. These new plans were launched on a 12-months contract terms and with a limited half price discount promotion.

Mobile services

	31-Dec-2020	31-Dec-2019
Pay as you go customers	20,420	20,162
Pay monthly customers	9,752	8,019
Blended ARPU[(a)]	£19.3	£19.9

(a) Monthly Average Revenue Per User

The mobile customer base increased to just over 30,000 subs by the end of 2020, with up to a third of mobile customers now on Pay Monthly and two-thirds on Pay As You Go. Mobile revenues grew by 3% to £7.6 million in 2020.

In September 2020, five new, bigger and better value monthly plans were introduced with up to 50GB of data allowance and starting from only £20 per month.

The push to pay monthly coupled with a continuous drive to get customers on our Triple play offer, the Monster Bundle, has contributed to customers converting from Pay As You Go to Pay Monthly, and generated an increase of £225k in Mobile Plans revenue year on year.

During the same period, mobile voice revenue decreased by circa £340k. This was impacted by a range of factors including the Covid-19 lockdown, during which people's use of landlines partially replaced mobile usage. Travels were also severely restricted affecting roaming revenues. Other key drivers of the drop were the EU retail price controls impacting international call revenues (particularly on Pay As You Go) and more customers moving up to better value plans with inclusive minutes and therefore becoming less likely to pay for additional usage. Besides, more and more mobile users, particularly the younger generation, are relying on data only and resorting mostly to OTT services like WhatsApp, Messenger, Facetime and Snapchat.

As a consequence, data usage saw strong growth of 19% year on year to circa £2.3 million. New Pay As You Go data bundles and Pay Monthly data boosts were introduced towards the end of 2019 and again in 2020 providing much better value for customers, on occasions at a slightly higher price.

In November 2020, the local out-of-bundle call rate to both landlines and mobiles was increased to 20p per minute across all plans to standardise and simplify the tariff structure. The 1 minute or 30 seconds minimum call duration was removed and replaced by a per second billing. Call connection fees were also removed.

In May 2019, Telecel purchased the licenses and the mobile network of Limba, our ex-local competitor. To date, no services or promotional campaigns have been launched. Furthermore, mobile coverage from neighbouring countries continue to cover most of the Rock, directly competing for local usage. Roam Like at Home also makes it easier for customers to use other European mobile packages in Gibraltar, hence becoming a direct competitor to Gibtelecom.

Other revenues, driven mainly by mobile handset sales, was maintained at circa £660k as per prior year, despite the closure of the retail store over several months.

Broadband services and IPTV

Broadband only (fibre or copper)	**31-Dec-2020**	**31-Dec-2019**
Number of customers	6,141	6,835
Market share[a]	33%	35%

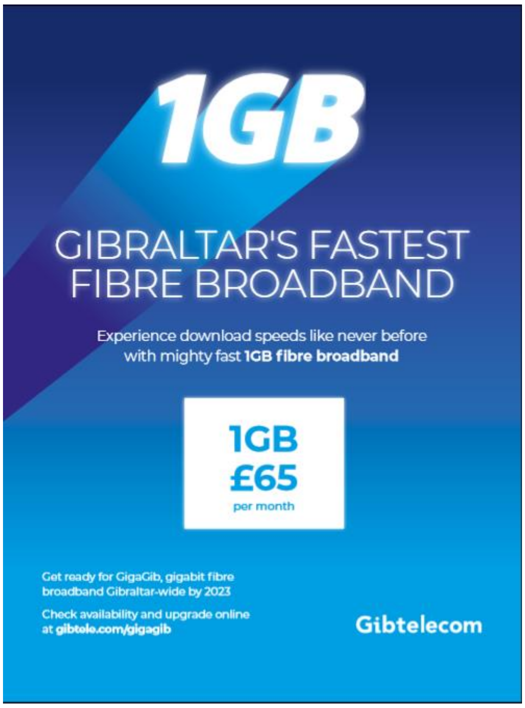
(a) Source GRA, Gibraltar Regulatory Authority published as at March 2021 and March 2020

Broadband revenues have continued to decline by a further 13% to under £1.0 million in 2020.

Competition in the local broadband market continues to be very aggressive with two alternative providers, Gibfibre and u-mee, bundling broadband with VoIP and TV. Their TV packages include a wide range of pirated and unlicensed content for which they do not pay any fees to the legal owners of the contents, linear channels, sport content providers, cinema, TV series producers or aggregators.

With over 100 linear channels and popular on-demand content from Rakuten, Amazon Prime Video and YouTube, Gibtelecom is the only IPTV provider offering a legitimate and fully legal product on the territory of Gibraltar. The TV product branded under the name Sofi was launched in 2018 and in 2020 the number of channels reached the bar of 100 with the inclusion of new channels, mostly music, sport and entertainment. In 2019, the TV catalogue was improved with notably the launch of La Liga which has proved a popular option for football fans.

In October, Gibtelecom launched its Gigabit Gibraltar full optic fibre roll-out to the Homes and Offices - a commitment to bring hyperfast connectivity to everyone, Gibraltar-wide, by the end of 2022. Together with this commitment, the Company launched two additional high-end broadband packages: 1Gb for £65 per month and 500Mb for £50, as well as bigger Monster Bundles combining mobile and TV.



7. Enterprise vertical

Enterprise revenues decreased year on year by 12% to £20.3 million (2019: £23.1 million) as the year was marked by the impact of Brexit, Covid-19 together with the downsizing of some eGaming operator's infrastructure in Gibraltar.

Local businesses in Gibraltar tend to increasingly use large multinational service providers for telephony services in general and more specifically mobile services. Another threat is emerging from global IT service providers such as Amazon, Microsoft or Google which are increasingly used as Cloud providers by eGaming companies licensed of based in Gibraltar.

With a renewed commitment towards innovation and customer focus, 2020 was geared towards regaining market share lost to competition in the short term and protecting existing market share in the long term. To this end, Gibtelecom has launched during 2020 a new suite of products specifically designed with the business community in mind and around Broadband, Voice and Managed products and services.

Fixed line services

	31-Dec-2020	31-Dec-2019
Number of customers	1,867	1,949

In 2020, we started a program to migrate services from legacy technologies to new technologies with the aim to answer better the needs of our B2B customers. In particular in Q4 2020, new fixed telephony products were launched including an enterprise grade Gibraltar based hosted PBX solution. Addressing a noticeable gap in the market that was being filled by several solutions hosted outside Gibraltar, the new product addresses security concerns expressed by business having their phone calls on the public internet. This full featured hosted office telephony solution includes native Fixed to Mobile integration, allowing businesses to take their office extensions with them without the need to use an app.

SIP trunk technology services were also launched during Q2 to replace legacy ISDN services which will be slowly phased out during the subsequent 18 months.

Revenues from Fixed line services derived from businesses were down year on year by 9%, impacted mainly by Covid-19 which forced the closure of many offices and retail outlets. This decline was made up of Line rentals down vs. last year by 6%, usage down 9% and other revenue (mainly new installations) down 28%. Whilst working from home many employees moved from using fixed line services to using internet based unified communications platforms such as Zoom, Microsoft teams, Bluejeans by Verizon etc. It is expected that this ongoing cultural shift, accelerated by the pandemic, will permanently impact this revenue going forward.

Mobile Services

	31-Dec-2020	31-Dec-2019
Pay monthly	5,262	5,816
Blended ARPU[a]	£45.1	£53.2

(a) Monthly Average Revenue Per User

Mobility continues to be an area of growth, positively impacted by the Covid-19 pandemic which acted as a catalyst for remote working. The ability to be able to make a video call, securely access your work documents or have a team meeting wherever you are has now become the norm for many. A number of new mobile plans including increased and inclusive data, calls and texts were introduced during the year to allow customers to connect wherever they may be without the risk of running out of or incurring extra usage charges for using the service.

These positive trends translated in the mobile plans take up whose revenue were favourable year on year by 14%. However, usage revenue is down vs. 2019 by 32% mainly as a result of less roaming out and less calls to international.

Broadband Services

Fibre or copper broadband	31-Dec-2020	31-Dec-2019
Number of customers	2,376	2,529
Market share[a]	81%	83%

(a) Source GRA, Gibraltar Regulatory Authority published as at March 2021 and March 2020

A new suite of synchronous (same upload and download speeds) business broadband products were launched in September under the name of Enterprise Fibre Broadband (EFB). Four categories of EFBs were launched with different speed (from 50Mbps to 500Mbps) and different service levels (onsite support and online support).

Overall broadband revenues were down 6% vs. 2019 as the uptake from these new premium services is offset by the decrease in legacy broadband lines.

Managed Data Centre Services

This part of the enterprise services vertical is comprised of two main areas, on the one hand the physical data centre hosting services known as colocation and on the other hand the managed data centre services comprised of cloud and other managed IT services.

Cloud continues to be the main area of growth since its launch in 2017. In 2020 the Cloud revenue increased by 97% vs. 2019. Like many other cloud service providers, the service is based on a flexible pay as you go usage model with the main USP of the service being data sovereignty through a guarantee that the processing and data held by the service is Gibraltar based.

Revenues for physical data centre colocation still make up the major share of the revenues in this area but have declined 8% vs. 2019 driven by the "cloud first mentality" adopted by many businesses. This shift has seen several customers move from physical Gibtelecom data centres to the Gibtelecom cloud however, there have been a number that have moved to hyperscale cloud providers such as Microsoft's Azure cloud service, Amazon's AWS or Google cloud. These moves come as a result of the local regulators granting exemption's to licensing conditions for Gibraltar based offshore eGaming license holders.

Network Services

Network services are comprised of three areas of service National circuits, International Circuits and Flexiband our premium broadband product designed specifically for customers requiring the utmost levels of uptime towards the internet. There has been a steady migration from legacy technologies such as SDH to newer Ethernet based technologies dating back several years now to the extent that these newer services now vastly outweigh the legacy products.

Several Gibraltar based eGaming companies have migrated their infrastructures to hyperscale cloud providers during 2020 resulting in decreasing revenues in this area.

Overall revenues relating to network services where down 16% year on year of which 35% down on national circuits, 25% down on international circuits and 4% down on Flexiband services.

Network services (and Cloud services to a lesser extent) were negatively impacted in 2020 by the decrease in activity seen with some of the online betting companies. Our revenues with this industry have decreased in 2020 due to several factors such as Brexit, the consolidation of some companies and a few eGaming companies leaving or downsizing their footprint in Gibraltar.

8. Carriers vertical

In 2020, Gibtelecom has renewed its commitment to remain an operator of international telephony routes, notably through its decision to contribute towards the upgrade 5 of the Europe India Gateway (EIG) submarine cable or its renewed international traffic agreements with 101 EU roaming partners and notably with the Vodafone group and Telefonica group.

International connectivity

With its investment in the international cable EIG, Gibtelecom ensures that the territory of Gibraltar is securely connected internationally and hence avails reliable internet, mobile and fixed line connectivity to the consumer and business communities of Gibraltar. The cable offers a direct termination in the territory of Gibraltar and a redundancy towards the East and the West thereof. It guarantees both an autonomy and secure communication route to the rest of the world.

Beyond the security of the connection, EIG also enables Gibtelecom to control its costs and to make its international connectivity costs fixed and scalable to the needs of local and international customers.

EIG revenue derives from bandwidth that can be traded with other Telecom operators or corporate customers who need international bandwidth. As such, despite its modest size for a telecom operator, Gibtelecom is an active player in the carrier industry where global telecom companies, and more lately the GAFAs (Google, Amazon, Facebook, Apple), take a very active role.

Gibtelecom has integrated its investment in EIG in its European backbone which, through various points of presence in Europe, enables to offer a reliable connectivity from Gibraltar to the rest of the world or for transit traffic.

Figure 1: Gibtelecom European backbone

Beyond Europe, EIG is fully integrated within our transport network, notably to Asia in association with the IRU (Indefeasible Rights of use) owned in the Sea-Me-We 4 submarine cable or other connectivity arrangements. This has enabled us to scale up our network capabilities and start our Data centre activities in Malaysia.

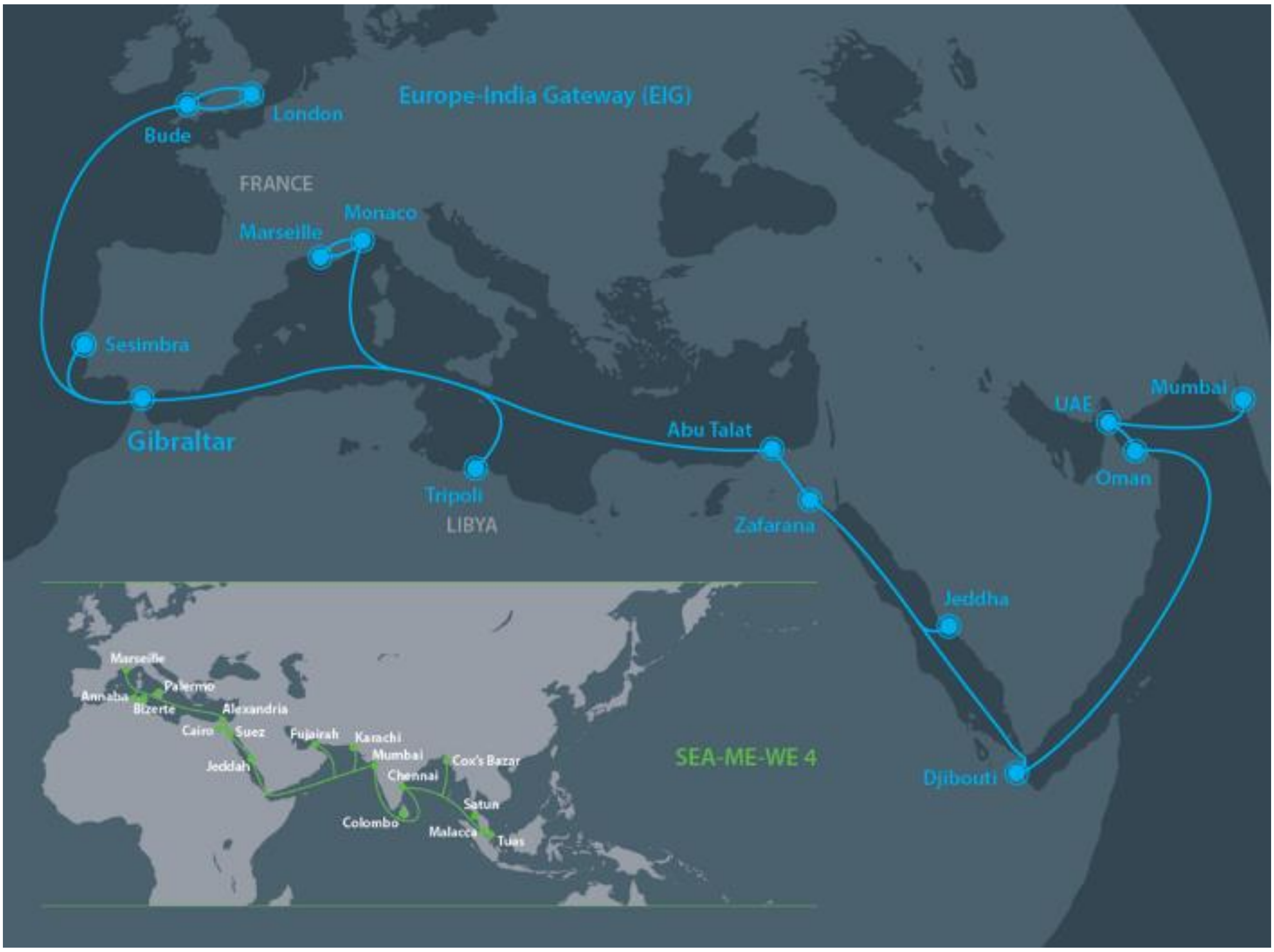


Figure 2: Gibtelecom has circa 4% ownership in the EIG submarine cable and has purchased IRU (Indefeasible Rights of use) in the Sea-Me-We 4 submarine cable

<u>Roaming-in and international incoming traffic</u>

With Covid-19, roaming in traffic has seen a significant drop in 2020. The number of IMSIs connected to the network, which traditionally is a measurement of the tourism activity in Gibraltar, has decreased by 47% in 2020 compared to 2019.

The decrease in tourism together with less cross frontier workers during the lockdown period has led to a significant decrease in the roaming-in revenue during the year.

Similarly, with the increased number of people locked down at home, the international incoming traffic to Gibraltar has witnessed a drop compared to 2019 albeit in a less significant proportion than roaming-in.

Despite the challenging environment, the management of the international traffic revenue and costs has remained a priority for Gibtelecom in order to control the significant interconnection costs and leverage the equally significant roaming-in revenue. To do so, Gibtelecom has reinforced its collaboration with the global carriers, PCCW and Ibasis, and also streamlined the interactions with the Comfone clearing house. 2020 has also been marked by the implementation of synergies between the roaming traffic generated by Lobster and the roaming traffic generated by Gibtelecom.

9. Technology

Maintaining an edge in technology and operate state of the art networks has continued to be a key competitive advantage for Gibtelecom.

An All-IP Network

In 2020, we continued to migrate customers from legacy to state-of-the-art 'All-IP' networks. This has allowed us to provide a richer portfolio of services, increase reliability and, exercise efficiencies by way of cost savings, notably from a significant reduction in power consumption. By the end of 2020, we have moved 80% of all fixed-line telephony customers to 'cloud-native' IP Multimedia Subsystem technology (IMS) deployed throughout geographically dispersed datacentres. 20% of the legacy infrastructure has already been decommissioned, freeing up considerable real-estate space. Our classic enterprise voice portfolio has also moved over to IMS-based applications, offering a multitude of new services to a relatively underserved segment.

We have also embarked on an ambitious project to migrate our traditional backhaul infrastructure to packet-based technology, such as Optical Transport Network (OTN) and wide-area Ethernet. All domestic services have been transitioned, with international migrations the focus of the next calendar year.

Better Connectivity

2020 saw the first of our copper infrastructure being superseded by fibre-to-the-premise (FTTP) next-generation network (NGN) technology. At year end, 12% of all premises throughout Gibraltar were capable of being connected to the Company's fibre-optic network. We are projecting that 70% of all premises will be 'fibre-ready' by 2021 with mass migrations ramping-up as the rollout efficiency increases.

The access technology, powering the NGN, has provided faster symmetrical connectivity, with speeds of up to 10 Gb/s. The infrastructure has also proved more reliable with fault reports from migrated customers dropping by 95% during the last three months of 2020.

Cloud Native Mobile

The award of 5G frequencies in Gibraltar was completed during the first quarter of 2020. Gibtelecom was granted 115 MHz of 5G spectrum (100MHz of mid-band frequencies and 15 MHz of low-band). That is a spectrum combination which will allow us to realise the full potential of 5G technology. This marked the commencement of a multi-year programme that has seen a further migration of mobile core services to 'cloud-native' infrastructure. We also upgraded all mobile outstations to support 5G radio technology, whilst ensuring that power autonomy continues to meet our exacting standards. Leveraging Gibraltar's small size, we have once again used our geographically dispersed datacentres to centrally co-locate radio technology and, at the same time, providing quasi-mobile edge computing.

Our LTE-Advanced deployment continues to be industry leading, with Call Setup Success Rates (CSSR) of 99.9% and drop ratios of less than 0.2%, at the same time experiencing 100% growth in data over 12 months. The quality of legacy circuit switched voice is also excellent, with CSSR of 98% throughout 2G and 3G services.

During 2020, we introduced Voice over LTE (VoLTE) services, enhancing the customer's experience with high-definition voice calls, instantaneous call setup and the ability to continue transferring data whilst receiving or placing a call. VoLTE will facilitate the phase-out of 3G technology once enough customers have transitioned over. We expect that over the coming year, approximately 50% of all customers will organically move to VoLTE.

Transformation Efficiencies

The change to NGN has allowed us to build efficiencies into our daily processes by refining the automation of zero-touch provisioning throughout some of our services.

Our consumer products now require less manual intervention to install, resulting in an increase to workforce productivity, first-install reliability, and overall customer satisfaction.

We have also started a long and complex journey of simplifying the creation of consumer offerings. The end goal is to reduce the number of systems and the administrative burden of maintaining such complex relationships. We hope to be able to deliver a flexible stack that will cater for our future needs and growth.

As with most of society, we have had to adapt our incumbent methods to work around the pandemic. Our ICT (Information, Communication & Technology) teams were always one step ahead ensuring that remote working was as seamless as practicable. Covid-19 specific offerings also had to be turned around in record time and systems were also adapted for public service announcements.

Figure 3: Mobile network base stations in Gibraltar

10. Lobster

	31-Dec-2020	31-Dec-2019
Number of customers	30,534	15,346
Blended ARPU[(a)]	€10.7	€8.7

(a) Monthly Average Revenue Per User

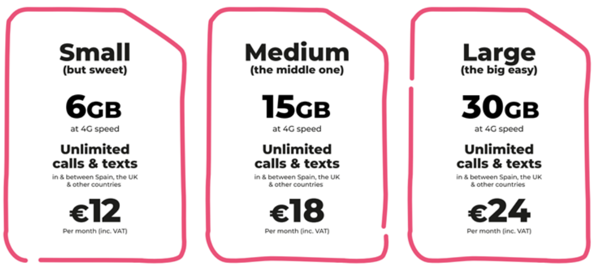
The year 2020 has been the first full year of operation of Lobster and saw the customer base grow from circa 15k customers to circa 30k; that is more than double over a period of 12 months.

Revenues in local currency have also grown from €0.7 million in 2019 to €2.8 million, a growth of 293% over a year despite the significant challenges imposed by Brexit and Covid-19 which have both slowed down the growth of our operations in Spain.

Covid-19 led to the contraction of the Spanish GDP by 10.8% in 2020 and has unquestionably impacted Lobster's way to operate. First, the distribution channels based on street promoters, active sellers on the street or malls have seen lower footfall during the lockdown periods and, beyond, led to less interactions with customers. Then the interruptions of travels and cross frontier transportation has meant fewer potential customers for our brand in Spain. Finally, the contraction of Spain economy means there is also less budget available by household for telecom expenditure.

The uncertainties around Brexit have also led to a slowdown of customer acquisition and has directly impacted our business model in Spain which relies mainly on the British community living in Spain.

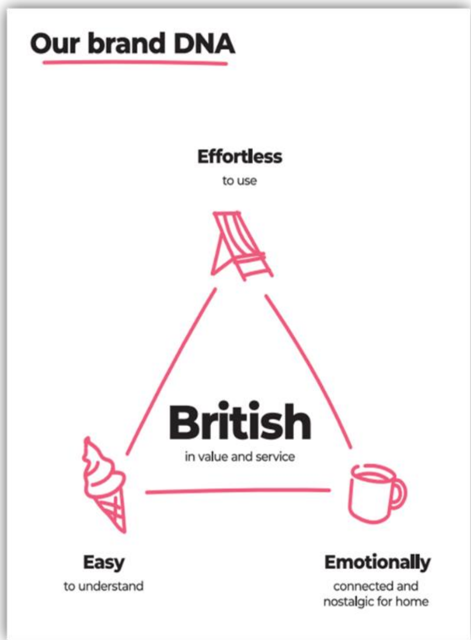
Facing those challenges, Lobster has continuously strived to evolve its offering. In August 2020, a 1-month free promotion which had been in place since the launch of the operations, stopped and was replaced by a more generous data allowance from respectively 4Gb, 10Gb, 25Gb to 6Gb, 15Gb and 30Gb at no extra cost.



Lobster has kept to its key values:

- Simplicity, with the same simple 3 talk plans, Small Medium and Large at €12, €18, and €24.
- Consistency, continued unlimited calls & text in & between Spain, the UK and many other countries.
- Service, Customer first when it comes to network availability or channel distribution.
- Humanness, the same contact centre available for free on 1661 ensuring you talk to a real person every time you call.

Those key values were relayed by the strong brand DNA created around the Lobster brand:



In 2020, Lobster also secured some key deliverables such as the renewal of its national network agreement with Telefonica and Movistar enabling to offer one of the best network coverage in Spain. Lobster also started to increase its presence in malls and supermarkets to be always closer to the customers whilst enhancing its footprint of active sellers which still form a key part of Lobster distribution channels.

Lastly, Lobster has developed its Ambassadors and referrals model to adopt more modern ways of addressing the customers and the communities.

11. Improve operational efficiencies

With Covid-19 lockdowns starting in Gibraltar in the middle of March 2020, Gibtelecom had to adapt its ways of working towards remote workings, digital presence and paperwork environment. In many instances, Covid-19 has been a catalyst to accelerate internal projects such as the implementation of an e-procurement tool, paperless clients invoicing, or digital banking.

Gibtelecom has also accelerated its roll out of laptops and digital meeting facilities through all its employees and subsidiaries. Some of those measures were issued particularly to protect the workforce from the devastating impacts of Covid-19 both economically and health wise. They enabled to keep all employees at work and fully paid without resorting to the State helped measures.

After the first two lockdown, Gibtelecom has kept an agile working model which contributed to maintain Employee’s engagement and Company efficiency.

In 2019, Gibtelecom has thoroughly reorganised its operations through the creation of verticals in order to address the B2C and B2B customers differently and accordingly. Hence 2020 is the first full year with the new organisation by vertical. Since 2019, Gibtelecom has also increased its footprint of activity outside Gibraltar, notably with the creation of Lobster in Spain and the creation of its data centre in Malaysia. Through those pivotal moves, Gibtelecom endeavours to find group synergies and the right approach of work which will lead to avoid duplication of work or assets in various jurisdictions. The Group is also concentrating in making the structures and the solutions implemented as scalable as possible.

12. Work for the Community of Gibraltar

In 2020, more than ever due to Covid-19, Gibtelecom has worked for the community of Gibraltar for both the Consumer and the Enterprise market.

In that context, Gibtelecom has indeed awarded extended payment facilities of 3 months to B2B customers and up to 6 months for B2C. The Company has also worked to increase Home broadband speed to 100Mb at no extra cost to ensure that everyone remains connected during the lockdowns. At the same time the network bandwidth saw an increase of 20% and an extended duration of peak times due to the heavy usage whilst people were locked down at home.

Despite the increased pressure on the network, all technologies and connectivity have remained fully operational, our network operations teams and our technicians’ have remained fully available during the lockdowns.

Gibtelecom has also awarded free of charge data only SIM cards to University students in order to keep them connected during the lockdown in Gibraltar. The panic button available for the elderly people remained fully operational during the lockdown and helped to ensure vital help was continued. Lastly, Gibtelecom donated iPads to local schools to ensure that pupils were able to connect to the online tuitions.

Gibtelecom took measures to protect its employees by allowing working from home during the lockdown and flexible working beyond. No salary cuts were exerted and benefits were maintained untouched.

13. Principal risks

Gibtelecom endeavours to serve both business and consumer customers with a wide range of services and offers. This diversity enables the Company to mitigate risks of downturn in a specific market or activity and compensate one with another. It is also the guarantee that the Company will remain a convergent player in the Telecom industry without specialising into a single niche activity which in turn will be a risk of overdependence towards a reduced number of customers. Gibtelecom's complete offerings notably in the domains of fixed line activity, mobile, broadband, TV, data centre, cloud solutions and international carriers enable the Company to attract different profile of customers or to retain its customers.

In 2020, the main factor of risk identified was the adverse impact of a disorderly Brexit with effects spanning from potential loss of revenue (notably through the relocation of the eGaming businesses out of Gibraltar), the potential loss of suitably qualified staff or the potential disruptions in the relationship with non-UK suppliers or partners and on the overall supply chain. Gibtelecom continues to monitor the implications for its operations considering the new trading relationship between the UK and the EU, which has yet to be negotiated.

To mitigate the risks, the Company has reviewed the list of non-UK suppliers and is prepared to migrate to UK suppliers or extra EEA, should the supply chain management be disrupted. In relation to key employees and potential disruptions at the border, the Company has developed work from home and online collaboration tools in order to cope with a potential lack of fluidity at the border. Those tools have been tested "live" in 2020 during the Covid-19 lockdown and has proven successful. Besides, Gibtelecom is continuing to diversify its portfolio of activities both geographically and in nature to alleviate the dependency on one specific sector or industry.

14. 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 and shall meet the liabilities as they fall due. Hence, the Directors confirm that the going concern basis of accounting continues to be an appropriate basis of preparation of the financial statements.

Specifically, since H1 2020, the potential impact of Covid-19 on the Company and the Group has been considered as part of the going concern assessment. The Management, together with the Directors of the Company, have taken into account the nature of the Group, its business model and related risks in order to reforecast its trading performance, its liquidity and its net debt. In addition to liquidity forecasts, the Company has considered the availability of credit facilities and funding. The Directors have also considered sensitivities in respect of Covid-19 potential downside scenarios. To date the Company has experienced no material disruption to the network and operations despite the increased bandwidth used by customers who are increasingly relying on online facilities for business and personal matters alike. Accordingly, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements.

In July 2020, the Company has secured a new loan facility with a bank of up to £10 million which will help fund the investments for the next 3 years. The Management has reasonable expectations that the Company will be able to satisfy the loan covenants in respect of this new loan, based on cash flow forecasts prepared. In case of unforeseen adverse performance, the Company will be able to adjust its variable costs and/or trigger contingency plans and cost optimisation programs.

The Directors have considered the impact of the Brexit negotiations in relation to Gibraltar on the 31 December 2020 consolidated financial statements.

The EU-UK Trade and Cooperation Agreement, which came into effect on 1 January 2021, provides greater clarity on the trading relationship between the UK and the EU. Gibtelecom Management identified early in the Brexit process the main associated risks and produced mitigation plans. Since the signing of the agreement, any outstanding risks and the impacts of the agreement itself continue to be monitored, with further mitigations put in place if/when necessary.

In particular, the Company is monitoring the impact of the UK / EU treaty which might have a significant effect on the border fluidity for entry of people and/or goods. Brexit might also influence customer behaviours for our B2B and B2C clients which needs monitoring.

15. 2020 Key Financials

2020 was a challenging year for the Gibtelecom group partly due to Covid-19 and partly due to the slowdown of some Enterprise activities, notably eGaming. Finance discipline and cash protections measures were implemented to offset the impact of the activity slowdown. However, the Group has retained its commitment towards long term investment projects such as FTTH, 5G and the Lobster operation in Spain.

Revenue has decreased YoY by -4.3% to £40.3 million mainly on account of the significant decline of the Enterprise vertical and roaming-in which has suffered from the stop of tourism in Gibraltar during Covid-19. At the same time, Lobster revenue has increased by more than four times driven by a customer base which has more than doubled. The B2C activities in Gibraltar has remained stable despite the strong impact of Covid-19.

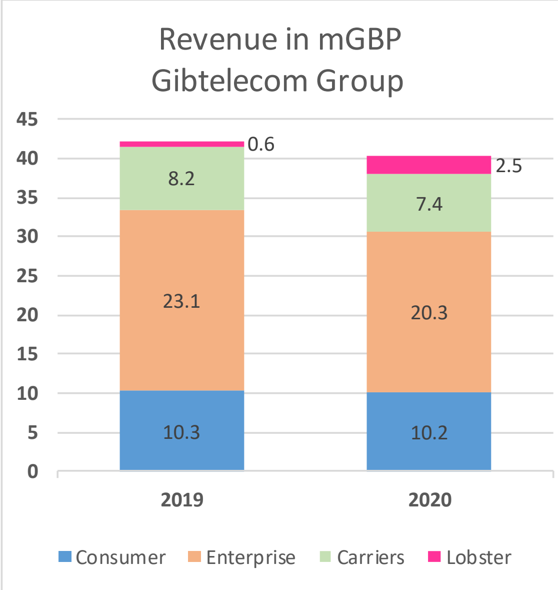
Costs have been strictly controlled to maintain an EBITDA at £8.0 million, however the revenue slowdown on the B2B activities has logically flowed down to the net profit given the low marginal costs associated to those activities leading to a 19.9% EBITDA margin.

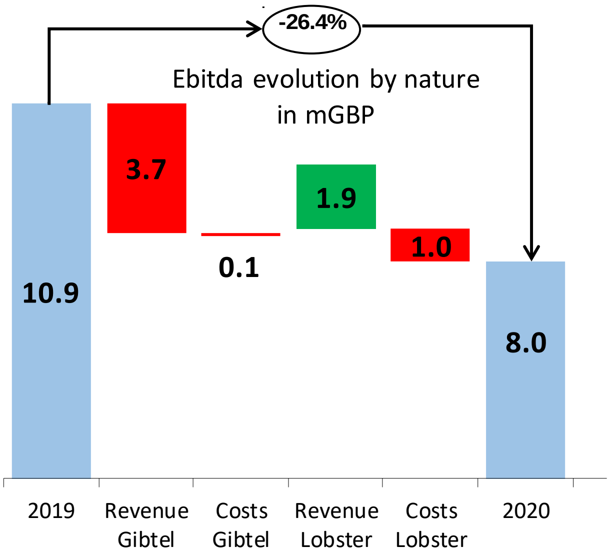
Investments have been maintained and accelerated significantly compared to 2019 to £10.8 million mainly on account of the FTTH program, 5G and the Asian data centre.

The net debt of the Group has increased to £4.8 million in order to finance the strategic capex projects and also finance the Lobster activities. In 2020, Gibtelecom has consolidated all its debt into one single loan of £10 million with the view to benefit from economy of scale while maintaining its good credit score with a net debt to EBITDA of 0.6x.

Gibtelecom Ltd revenue reached £36.5 million (2019: £39.3 million). EBITDA £7.6 million (2019: £11.6 million) and net profit £1.0 million (2019: £4.5 million).

The dividends declared in the year were £1.0 million (2019: £1.0 million). No further dividends recommended.





Main indicators - Gibtelecom Group

in million GBP	2020	2019	YoY %
Revenue	40.3	42.2	(4.3%)
Ebitda	8.0	10.9	(26.4%)
Margin %	19.9%	25.9%	
Net profit	1.1	3.8	(70.5%)
Margin %	2.8%	9.1%	
Capex	10.8	4.1	162.3%
Intensity %	26.8%	9.8%	
Net debt	4.8	0.3	na
Ebitda multiple	0.60x	0.03x	
Cash from operations	(2.8)	6.8	(141.0%)
Number of customers	85,499	70,196	21.8%

16. Directors and Management

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

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

An Executive Committee is responsible for the day-to-day management of Gibtelecom comprised of the Chief Executive Officer and Board Director, Noel Burrows, the Chief Operations Officer, Adrian Moreno, the Chief Financial Officer, Matthieu Mamou together with five Operational Directors: Adrian Ochello (Consumer vertical), Daniel Hook (Enterprise vertical) Rab Paramothayan (Carriers and international vertical), Jansen Reyes (Technology) and Peter Borge (Legal and HR).

17. 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.

18. 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: 14 JAN 2022

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 2020 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 statement of financial position;
- the company statement of financial position;
- 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 28.

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
Floor 3
120 Irish Town
GX11 1AA Gibraltar

14 January 2022

D. CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2020

Group	Note	2020 £	2019 £
Turnover	3	**40,327,275**	**42,161,824**
Operating expenses:			
Technical and infrastructure		(7,321,448)	(8,171,197)
Operational charges	7	(10,464,795)	(10,153,144)
Payments to telecommunications administrations		(2,660,663)	(1,778,348)
Staff costs	4	(11,858,812)	(11,179,083)
Depreciation	11	(4,858,499)	(4,431,091)
EIG Submarine Cable amortisation	13	(1,519,080)	(1,519,080)
Total operating expenses		**(38,683,297)**	**(37,231,943)**
Group operating profit		**1,643,978**	**4,929,881**
Gain on disposal of tangible fixed assets		14,147	19,180
Interest receivable on bank deposits		2,545	2,741
Interest payable and similar charges	8	(321,482)	(275,793)
Finance costs (financial component of pension charges)	22	(273,000)	(228,000)
Profit on ordinary activities before taxation		**1,066,188**	**4,448,009**
Tax on profit on ordinary activities	9	66,452	(603,525)
Profit on ordinary activities after taxation		**1,132,640**	**3,844,484**

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 £952,240 (2019: £4,505,610). The parent Company has not published its own profit and loss account in these consolidated financial statements.

The notes on pages 32 to 61 form part of these financial statements.

E. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

Group	Note	2020 £	2019 £
Profit for the financial year		**1,132,640**	**3,844,484**
Other comprehensive income/(loss):			
Re-measurement of net defined benefit liability	22	(6,969,000)	(6,039,000)
Movement in deferred tax relating to pension liability	9	1,260,400	997,800
Exchange differences arising from investments in foreign operations		(8,138)	(24,643)
Total comprehensive loss for the year		**(4,584,098)**	**(1,221,359)**

The notes on pages 32 to 61 form part of these financial statements.

F. STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

		Group		Company	
	Note	2020 £	2019 £	2020 £	2019 £
Fixed assets:					
Tangible & Intangible fixed assets	11	41,323,632	35,551,942	39,833,828	33,678,761
Investments	12	0	0	12,002	12,000
EIG submarine cable	13	6,329,461	7,848,541	6,329,461	7,848,541
Total fixed assets		**47,653,093**	**43,400,483**	**46,175,291**	**41,539,302**
Current assets:					
Stocks	14	1,093,841	1,189,562	1,093,841	1,189,562
Debtors					
due within one year	15	15,022,076	13,671,493	22,662,258	17,507,720
due after one year	15	883,851	1,031,869	883,851	1,026,541
Cash at bank and in hand		2,978,700	5,345,717	2,155,936	4,592,861
Total current assets		**19,978,468**	**21,238,641**	**26,795,886**	**24,316,684**
Creditors, due within one year	16	(13,596,010)	(10,126,379)	(19,811,195)	(12,069,465)
Net Current Assets		**6,382,458**	**11,112,262**	**6,984,691**	**12,247,219**
Total assets, less current liabilities		**54,035,551**	**54,512,745**	**53,159,982**	**53,786,521**
Non-current liabilities:					
Creditors, due after one year	17	(6,112,566)	(7,265,901)	(6,112,565)	(7,265,901)
Provisions for liabilities	18	(19,697,384)	(13,437,145)	(19,688,105)	(13,404,948)
Total non-current liabilities		**(25,809,950)**	**(20,703,046)**	**(25,800,670)**	**(20,670,849)**
Net Assets		**28,225,601**	**33,809,699**	**27,359,312**	**33,115,672**
Capital and Reserves:					
Called up share capital	19	15,000	15,000	15,000	15,000
Share premium account	19	14,985,000	14,985,000	14,985,000	14,985,000
Profit and loss account		13,225,601	18,809,699	12,359,312	18,115,672
Equity shareholders' funds		**28,225,601**	**33,809,699**	**27,359,312**	**33,115,672**

Approved by the Board on 14 JAN 2022

....
Director

....
Director

The notes on pages 32 to 61 form part of these financial statements.

G. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

Group	Note	Called up share capital	Share premium account	Profit and loss account	Total
		£	£	£	£
As at 1st January 2020		**15,000**	**14,985,000**	**18,809,699**	**33,809,699**
Profit for the financial year		0	0	1,132,640	1,132,640
Re-measurement gain recognised in other comprehensive income	22	0	0	(6,969,000)	(6,969,000)
Movement on deferred tax relating to pension schemes	9	0	0	1,260,400	1,260,400
Foreign exchange difference		0	0	(8,138)	(8,138)
Total comprehensive income		**15,000**	**14,985,000**	**14,225,601**	**29,225,601**
Dividends		0	0	(1,000,000)	(1,000,000)
As at 31st December 2020		**15,000**	**14,985,000**	**13,225,601**	**28,225,601**

Group	Note	Called up share capital	Share premium account	Profit and loss account	Total
		£	£	£	£
As at 1st January 2019		**15,000**	**14,985,000**	**21,031,058**	**36,031,058**
Profit for the financial year		0	0	3,844,484	3,844,484
Re-measurement loss recognised in other comprehensive income	22	0	0	(6,039,000)	(6,039,000)
Movement on deferred tax relating to pension schemes	9	0	0	997,800	997,800
Foreign exchange difference		0	0	(24,643)	(24,643)
Total comprehensive income		**15,000**	**14,985,000**	**19,809,699**	**34,809,699**
Dividends		0	0	(1,000,000)	(1,000,000)
As at 31st December 2019		**15,000**	**14,985,000**	**18,809,699**	**33,809,699**

The notes on pages 32 to 61 form part of these financial statements.

H. COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

Company	Note	Called up share capital	Share premium account	Profit and loss account	Total
		£	£	£	£
As at 1st January 2020		**15,000**	**14,985,000**	**18,115,672**	**33,115,672**
Profit for the financial year		0	0	952,240	952,240
Re-measurement of net defined benefit liability	22	0	0	(6,969,000)	(6,969,000)
Movement on deferred tax relating to pension schemes	9	0	0	1,260,400	1,260,400
Total comprehensive income		**15,000**	**14,985,000**	**13,359,312**	**28,359,312**
Dividends		0	0	(1,000,000)	(1,000,000)
As at 31st December 2020		**15,000**	**14,985,000**	**12,359,312**	**27,359,312**

Company	Note	Called up share capital	Share premium account	Profit and loss account	Total
		£	£	£	£
As at 1st January 2019		**15,000**	**14,985,000**	**19,651,262**	**34,651,262**
Profit for the financial year		0	0	4,505,610	4,505,610
Re-measurement of net defined benefit liability	22	0	0	(6,039,000)	(6,039,000)
Movement on deferred tax relating to pension schemes	9	0	0	997,800	997,800
Total comprehensive income		**15,000**	**14,985,000**	**19,115,672**	**34,115,672**
Dividends		0	0	(1,000,000)	(1,000,000)
As at 31st December 2019		**15,000**	**14,985,000**	**18,115,672**	**33,115,672**

The notes on pages 32 to 61 form part of these financial statements.

I. CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

Group	Notes	2020 £	2019 £
Cash flows from operating activities:			
Group operating profit		1,643,978	4,929,881
Depreciation and amortisation charges		6,377,579	5,950,171
Difference of pension charge and cash contributions		(667,000)	(1,050,000)
Foreign exchange difference		(8,138)	(24,643)
Decrease in stocks	14	95,721	274,244
Decrease / (increase) in debtors		906,754	(781,809)
Increase in creditors		226,066	786,825
Interest paid		(321,482)	(275,793)
Finance costs (financial component of pension charges)		(273,000)	(228,000)
Corporation tax paid		(825,032)	(782,867)
Net cash flows used in operating activities		**7,155,446**	**8,798,009**
Cash flows from investing activities:			
Interest received		2,545	2,741
Proceeds from sale of tangible fixed assets		14,147	19,180
Payments to acquire tangible & intangible fixed assets	11	(10,632,324)	(4,448,531)
Net cash flows used in investing activities		**(10,615,632)**	**(4,426,610)**
Cash flows from financing activities:			
Equity dividends paid		(1,000,000)	(1,000,000)
Proceeds from bank borrowings	17	4,185,033	0
Repayment of bank borrowings	20	(2,091,864)	(1,545,522)
Net cash flows used in financing activities		**1,093,169**	**(2,545,522)**
Net (decrease)/ increase in cash and cash equivalents		**(2,367,017)**	**1,825,877**
Cash and cash equivalents at the beginning of the year		5,345,717	3,519,840
Cash and cash equivalents at the end of the year		**2,978,700**	**5,345,717**

The notes on pages 32 to 61 form part of these financial statements.

J. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 the company is incorporated in Gibraltar. The address and registered office is given on page 4. 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 2020. 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 and shall meet the liabilities as they fall due. Hence, the Directors confirm that the going concern basis of accounting continues to be an appropriate basis of preparation of the financial statements.

Specifically, since H1 2020, the potential impact of Covid-19 on the Company and the Group has been considered as part of the going concern assessment. The Management, together with the Directors of the Company, have taken into account the nature of the Group, its business model and related risk in order to reforecast its trading performance, its liquidity and its net debt. In addition to liquidity forecasts, the Company has considered the availability of credit facilities and funding. The Directors have also considered sensitivities in respect of Covid-19 potential downside scenarios. To date the Company has experienced no material disruption to the network and operations despite the increased bandwidth used by customers who are increasingly relying on online facilities for business and personal matters alike. Accordingly, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements.

In July 2020, the Company has secured a new loan facility with the bank of up to £10 million which will help fund the investments for the next 3 years. The Management has reasonable expectations that the Company will be able to satisfy the loan covenants in respect of this new loan based on cash flow forecasts prepared. In case of unforeseen adverse performance, the Company will be able to adjust its variable costs and or trigger contingency plans and cost optimisation programs.

The EU-UK Trade and Cooperation Agreement, which came into effect on 1 January 2021, provides greater clarity on the trading relationship between the UK and the EU. Gibtelecom Management identified early in the Brexit process the main associated risks and produced mitigation plans. Since the signing of the agreement, any outstanding risks and the impacts of the agreement itself continue to be monitored, with further mitigations put in place if/when necessary. In particular, the Company is monitoring the impact of the UK / EU treaty which might have an impact on the border fluidity for entry of people and/or goods. Brexit might also influence customer behaviours for our B2B and B2C clients which needs monitoring.

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 communication 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 are 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	2020 £	2019 £
Consumer	10,189,809	10,268,900
Enterprise	20,330,678	23,095,700
Carrier	7,352,723	8,158,900
Lobster	2,454,065	638,300
Total turnover	**40,327,275**	**42,161,800**

4. Staff costs

Group	2020 £	2019 £
Wages and salaries	9,121,873	8,954,559
Social security costs	516,621	401,109
Pension costs	2,220,318	1,823,415
Total staff costs	**11,858,812**	**11,179,083**

In Gibraltar, 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 2020 were £2,207,000 (2019: £1,742,000). The difference to the figures reported in the table above reflects other pension charges/credits effected by Gibtelecom Group, notably in Spain.

In 2020, the total pension cash contributions paid by Gibtelecom Ltd amounted to £3,219,000 (2019: £3,080,000). The present and future service costs is disclosed as current costs per the above figure, the remainder being broadly past services costs (which are remeasured every year on the basis of current actuarial assumptions, see note 22).

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

The total remuneration for key management personnel comprising company directorates and departmental leaders (note 5) totalled £3,247,960 for 2020 (2019: £3,026,001). 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 different directorate responsibilities, with the comparative numbers for the prior year.

Company	As at 31st December		Average for the year	
	2020 headcount	2019 headcount	2020 headcount	2019 headcount
Chief Executive Officer, Chief Operations Officer and Chief Financial Officer:				
Corporate & Regulatory; Finance; Human Resources; Building & Stores and Support staff	22	22	22	21
Consumer Directorate				
Customer Care and Business Development	22	25	26	27
Enterprise Directorate				
Business & Data Centre	10	10	10	9
International Carrier Directorate				
International	3	3	3	3
Technical Directorate				
Voice Services; Transport Networks; Technical Facilities; Networks Operation Centre; Mobile Radio; Information Technology; Information Systems; Transport Network; External plant and Zinnia	86	92	90	93
Total headcount	**143**	**152**	**151**	**153**

6. Directors' emoluments

The Directors of Gibtelecom did not receive emoluments from the Company for their services as Directors during the year (2019: £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. Operational charges

Group	2020 £	2019 £
Included in operational charges are:		
Operating lease charges on rented properties	527,816	499,268
Foreign exchange gain loss	0	79,043
Audit fees	91,000	99,750
Audit-related assurance services	15,000	21,000
Taxation compliance services	7,450	7,450

8. Interest payable

Group	2020 £	2019 £
Interest payable on mortgage financing and bank loans	321,482	275,793

9. Tax on profit on ordinary activities

9.1. Analysis of charge for the year

Group	2020 £	2019 £
Current tax:		
Gibraltar corporation tax on profit for the year	(274,024)	(1,122,724)
Foreign tax for the year	(106,051)	(56,809)
Unilateral tax relief for the year	119,951	80,739
Total current tax (A)	**(260,124)**	**(1,098,794)**
Deferred tax:		
Deferred tax movement on capital allowances (see note 18)	(41,761)	(121,646)
Deferred tax movement on foreign operations	368,337	616,915
Total deferred tax (B)	**326,576**	**495,269**
Tax on profit on ordinary activities (A)+(B)	**66,452**	**(603,525)**
Total current and deferred tax movement relating to Other Comprehensive Income[(1)]	**1,260,400**	**997,800**

[(1)]The movement on current and deferred tax relating to other comprehensive income is solely due to the increase in the deferred tax asset on the pension lability as at 31st December 2020 and arises due to the increase in the net defined benefit pension deficit.

9.2. Factors affecting tax charge for the year

Group	2020 £	2019 £
Profit on ordinary activities before taxation	1,066,188	4,448,009
Corporation tax at 20%	213,238	889,602
Effect of:		
Permanent timing differences (i)	(6,352)	(14,386)
Pension cost contribution in excess of net pension cost charge (ii)	(133,400)	(210,000)
Capital allowances in excess of depreciation (iii)	63,086	100,787
Separation of non-telecommunication activities (iv)	(167,629)	(133,589)
Availability of tax losses	366,098	612,791
Effect of tax on foreign subsidiaries	(61,016)	(122,481)
Corporation tax on profit for the year	**274,024**	**1,122,724**

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%. In the July 2021 budget, HM Gibraltar Government announced an increase to the main rate of corporation tax to 12.5% from 1 August 2021.

(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.

10. Dividends

	2020		2019	
Company	**Total £**	**Pence per share**	**Total £**	**Pence per share**
Final dividend paid in respect of the prior year	1,000,000	66.67	1,000,000	66.67
Interim dividend paid in respect of the current year	0	0.00	0	0.00
Total	**1,000,000**	**66.67**	**1,000,000**	**66.67**

On 13 December 2020 the Board of Directors approved a final dividend of £1,000,000.

11. Tangible & Intangible 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 2020	**4,718,666**	**5,147,915**	**12,557,639**	**72,709,679**	**3,115,150**	**833,161**	**99,082,210**
Additions	6,348,692	0	0	2,892,297	1,387,897	3,438	**10,632,324**
Transferred on completion	(3,709,171)	0	0	3,695,835	13,336	0	0
Disposals	0	0	0	0	0	(51,658)	(51,658)
At 31st December 2020	**7,358,187**	**5,147,915**	**12,557,639**	**79,297,811**	**4,516,383**	**784,941**	**109,662,876**
Accumulated depreciation:							
At 1st January 2020	**0**	**1,028,301**	**2,220,426**	**56,790,748**	**2,838,645**	**654,283**	**63,532,403**
Charge for the year	0	102,926	114,592	4,301,382	245,607	93,992	**4,858,499**
Disposals	0	0	0	0	0	(51,658)	(51,658)
At 31st December 2020	**0**	**1,131,227**	**2,335,018**	**61,092,130**	**3,084,252**	**696,617**	**68,339,244**
Net book value:							
At 31st December 2020	**7,358,187**	**4,016,688**	**10,222,621**	**18,205,681**	**1,432,131**	**88,324**	**41,323,632**
At 31st December 2019	**4,718,666**	**4,119,614**	**10,337,213**	**15,921,066**	**276,505**	**178,878**	**35,551,942**

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 2020	**4,562,724**	**5,147,915**	**12,557,639**	**70,119,546**	**3,115,150**	**833,161**	**96,336,135**
Additions	6,348,692	0		2,886,518	1,387,897	3,438	**10,626,545**
Transferred on completion	(3,557,286)	0	0	3,543,950	13,336	0	0
Disposals	0	0	0	0	0	(51,658)	(51,658)
Intercompany transfers	0	0	0	0	0	0	0
At 31st December 2020	**7,354,130**	**5,147,915**	**12,557,639**	**76,550,014**	**4,516,383**	**784,941**	**106,911,022**
Accumulated depreciation:							
At 1st January 2020	**0**	**1,028,301**	**2,220,426**	**55,915,719**	**2,838,645**	**654,283**	**62,657,374**
Charge for the year	0	102,926	114,592	3,914,361	245,607	93,992	**4,471,478**
Disposals	0	0	0	0	0	(51,658)	(51,658)
Intercompany transfers	0	0	0	0	0	0	0
At 31st December 2020	**0**	**1,131,227**	**2,335,018**	**59,830,080**	**3,084,252**	**696,617**	**67,077,194**
Net book value:							
At 31st December 2020	**7,354,130**	**4,016,688**	**10,222,621**	**16,719,934**	**1,432,131**	**88,324**	**39,833,828**
At 31st December 2019	**4,562,724**	**4,119,614**	**10,337,213**	**14,203,827**	**276,505**	**178,878**	**33,678,761**

11.1. 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.

11.2. Assets pledged as security

Properties with a carrying value of £14,710,024 (2019: £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 16 and 17.

11.3. 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.

12. Investments in subsidiaries

Details of the investments in subsidiaries, based on the subsidiary undertakings' latest unaudited financial statements as at 31st December 2020:

Company	2020 £	2019 £
At 31st December	12,002	12,000

Name of company	Country of registration	Holding	Proportion held	Nature of business	Share of total net assets / (liabilities) £	Share of the year profit £
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	4,361,221	1,346,413
Zinnia Limited[(1)]	Gibraltar	4,000 ordinary shares of £1 each	100%	Holding company	7,880	14,365
Gibtelecom (UK) Limited	UK	1 ordinary shares of £1 each	100%	Consulting	0	0
Rockolo Malaysia Sdn. Bhd.	Malaysia	1 ordinary shares of £1 each	100%	Data centre (hosting) services	0	0

[(1)] Zinnia Limited wholly owns Zinnia Telecommunicaciones SL (Zinniatel), a Spanish registered company running a Mobile Virtual Network Operation in Spain. As at 31st December 2020, Zinniatel's shareholding comprised of €115,000 of ordinary share capital and €4,490,000 of Preference Shares.

13. EIG submarine cable

The Company entered into an agreement with several other parties (the 'consortium') during 2008 to construct a high capacity fibre-optic submarine cable system called the Europe India Gateway (EIG). One of the upgrades carried out on the system was finalised during 2015, resulting in a threefold increase in capacity in available MIU's (Minimum Investment Units) for the Company over the initial investment. A further upgrade was done during 2017 resulting in further costs of £307,000. During 2020 the Company has not made any further payments towards the EIG cable hence the cumulative total of payments made as at 31st December 2020 remains as £20,480,200 (2019: £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.

Group and Company	2020 £	2019 £
At 1st January	9,367,621	10,886,701
Additions	0	0
Charged to the profit and loss account	(1,519,080)	(1,519,080)
At 31st December	**7,848,541**	**9,367,621**

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	2020 £	2019 £
Fixed assets	6,329,461	7,848,541
Current assets	1,519,080	1,519,080
Total	**7,848,541**	**9,367,621**

14. Stocks

Group and Company	2020 £	2019 £
Goods for resale or consumption	1,093,841	1,189,562

15. Debtors

	Group		Company	
	2020 £	2019 £	2020 £	2019 £
Amounts falling due within one year:				
Trade debtors	5,101,858	5,746,817	9,338,876	7,319,897
Other debtors and prepayments	1,901,419	2,231,966	6,388,433	5,275,145
Deferred tax asset on foreign operations	1,148,369	780,032	0	0
Corporation tax receivable	1,567,350	869,998	1,631,869	869,998
Deferred tax asset on pension liability	3,784,000	2,523,600	3,784,000	2,523,600
EIG submarine cable	1,519,080	1,519,080	1,519,080	1,519,080
Total due within one year	**15,022,076**	**13,671,493**	**22,662,258**	**17,507,720**

	2020 £	2019 £	2020 £	2019 £
Amounts falling due after one year (1):				
Prepaid capacity use of SMW4 cable	835,821	978,509	835,821	978,509
Security deposits	48,030	53,360	48,030	48,032
Total due after one year	**883,851**	**1,031,869**	**883,851**	**1,026,541**
Total debtors	**15,970,446**	**14,703,362**	**23,546,113**	**18,534,261**

(1) excluding the EIG cable

	2020 £	2019 £	2020 £	2019 £
Deferred tax asset on pension liability				
At 1st January	2,523,600	1,525,800	2,523,600	1,525,800
Charged to other comprehensive income	1,260,400	997,800	1,260,400	997,800
At 31st December	**3,784,000**	**2,523,600**	**3,784,000**	**2,523,600**

16. Creditors: amounts falling due within one year

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Trade creditors	3,792,963	3,858,635	4,315,005	3,732,374
Amounts due to subsidiaries (1)	0	0	12,000	12,000
Bank borrowings	3,600,000	759,801	3,600,000	759,801
Other creditors	38,338	15,755	38,336	15,755
PAYE and social insurance	4,343	189,208	(753)	181,401
Corporation tax	48,087	53,817	0	0
Accruals and deferred income	6,112,279	5,249,163	11,846,607	7,368,135
Total	**13,596,010**	**10,126,379**	**19,811,195**	**12,069,465**

(1) unpaid share capital

16.1. Bank borrowings

Gibtelecom has two loan facilities in place, and as at 31st December 2020 the total balance due within one year was £3,600,000 (2019: 759,801) and a further £4,185,033 (2019: 4,933,368) is due after one year (note 17).

16.2. Revolving Credit Facility

A revolving credit facility (RCF) was signed between Gibtelecom and Royal Bank of Scotland Int (RBSI) in July 2020 for an amount of £10 million, expiring in June 2025. This RCF was signed for the benefit and in the interests of the Company for the purpose of funding it's CAPEX projects. The RCF agreement provides for the Company to adhere to Covenants on net tangible assets and borrowings together with debt servicing liability and is secured against our properties.

The amount drawn down as at 31st December 2020 is £4,185,033.

16.3. 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. This loan was repaid in full at the end of the second quarter of the year.

16.4. 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 3.81% ownership in the EIG consortium. The bank loan agreement provides for the Company to adhere to covenants on net tangible assets and borrowings, together with the debt servicing liability. This loan was repaid in full during the second quarter of the year.

16.5. Haven building

Gibtelecom purchased the leasehold Haven building in John Mackintosh Square from HM Government of Gibraltar in January 2014. As at 31st December 2020 the balance repayable on the loan stood at £3,600,000 (2019: £3,600,000), with the loan secured by the lending bank with a first legal charge over the property. This loan is an interest only loan while the building is unoccupied. The building is classified as held for sale in 2020 and the proceeds of sale are intended to repay the current loan.

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

17.1. Breakdown by nature

Group and Company	2020 £	2019 £
Mortgage finances:		
15/21 John Mackintosh Square	0	1,333,368
Haven building	0	3,600,000
Bank borrowings:		
EIG submarine cable system	0	0
Revolving Credit Facility	4,185,033	0
Accruals and deferred income:		
EIG onward sale of capacity deferred revenue	1,927,532	2,332,533
Total	**6,112,565**	**7,265,901**

17.2. 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 2020 was as follows:

Group and Company	2020 £	2019 £
In more than one year but not more than two years	0	711,664
In more than two years but not more than five years	4,185,033	2,061,704
In more than five years	0	2,160,000
Total	**4,185,033**	**4,933,368**

See note 16 for the carrying amount of the bank loans falling due within one year as at 31st December 2020.

18. Provisions for liabilities

18.1. Breakdown by nature

Group	Deferred tax liability £	Net defined benefits pension deficit £	Total £
At 1st January 2020	**(819,145)**	**(12,618,000)**	**(13,437,145)**
Payments made during the year	0	0	0
Charged to the profit and loss account	41,761	(6,302,000)	(6,260,239)
At 31st December 2020	**(777,384)**	**(18,920,000)**	**(19,697,384)**

Company	Deferred tax liability £	Net defined benefits pension deficit £	Total £
At 1st January 2020	**(786,948)**	**(12,618,000)**	**(13,404,948)**
Payments made during the year	0	0	0
Charged to the profit and loss account	18,843	(6,302,000)	(6,283,157)
At 31st December 2020	**(768,105)**	**(18,920,000)**	**(19,688,105)**

18.2. Deferred tax provision

Group	2020 £	2019 £
At 1st January	(819,145)	(697,499)
Charged to the profit and loss account	(41,761)	(121,646)
At 31st December	**(860,906)**	**(819,145)**

The deferred tax liability is broken down as follows:

Company	2020 £	2019 £
Accelerated capital allowances	(860,906)	(819,145)

19. Called up share capital and reserves

Group and Company	2020 £	2019 £
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	2020 £	2019 £
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.

20. Analysis of net cash, liquid resources and borrowings

Group	Bank balances £	Less bank loans £	Total Net debt £
At 31st December 2019	**5,345,717**	**(5,693,169)**	**(347,452)**
Cash movement	(2,367,017)	(2,091,864)	(4,458,881)
At 31st December 2020	**2,978,700**	**(7,785,033)**	**(4,806,333)**

Company	Bank balances £	Less bank loans £	Total Net debt £
At 31st December 2019	**4,592,861**	**(5,693,169)**	**(1,100,308)**
Cash movement	(2,436,925)	(2,091,864)	(4,528,789)
At 31st December 2020	**2,155,936**	**(7,785,033)**	**(5,629,097)**

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

Group	2020 £	2019 £
Net debt as at 1st January	(347,452)	(3,718,851)
Movement in cash	(2,367,017)	1,825,877
Movement in borrowings	(2,091,864)	1,545,522
Net debt as at 31st December	**(4,806,333)**	**(347,452)**

Company	2020 £	2019 £
Net debt as at 1st January	(1,100,307)	(5,845,981)
Movement in cash	(2,436,926)	3,200,151
Movement in borrowings	(2,091,864)	1,545,522
Net debt as at 31st December	**(5,629,097)**	**(1,100,308)**

22. Pension commitments

22.1. Overview

The Company operates two pension schemes for Gibtelecom employees. First, the Gibraltar NYNEX Communications Limited Staff Pension scheme (GNC scheme) which covers former GNC employees and most new joiners to Gibtelecom since 2002. Second, the Gibtel Pension Fund for 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, Scottish Widows (formerly Clerical Medical Investment Group Limited (CMIG)).

Employees who have joined Gibtelecom Ltd after 2016 are no longer enrolled into the GNC pension scheme.

22.2. 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. A triennial Actuarial Valuation as at 1 August 2020 was initiated but has not yet been completed as at the year end.

The actuarial valuations as per GFRS 102 as at 31st December 2020 were completed in February 2021 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 2020.

Future service contribution rates and past service deficit contributions are derived from the triennial actuarial valuation carried out as at 1 August 2017, completed in July 2019.

22.3. Contributions

Under the GNC scheme, the employers' contributions are 36.4% of basic salaries. The Company's total contributions to the GNC scheme for 2020 amounted to £2,099,000 (2019: £2,080,000). These contributions also include an additional annual contribution made during the year of £360,000 (2019: £360,000) which cover past service liabilities. There were no exceptional pensions payments effected in respect of voluntary separations in 2020 (2019: £nil).

The additional annual contribution for past service liabilities calculated by the Triennial actuarial valuation as at 1 August 2017 assumes that the past service liability deficit will be recovered over a period of 10 years starting in July 2019 and finishing in July 2029. 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 41.3% 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 2020 amounted to £1,120,000 (2019: £1,000,000). These contributions also include an additional annual contribution made during the year of £705,600 (2019: £683,100) which covers past service liabilities. There were no exceptional pensions payments effected in respect of voluntary separations in 2020 (2019: £nil).

The additional annual contribution for past service liabilities calculated by the Triennial actuarial valuation as at 1 August 2017 is based on the assumption that the past service liability deficit will be recovered over a period of 10 years starting in January 2018 and finishing in January 2027. 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.

22.4. 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 2020 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 the 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.

22.5. Main assumptions

As at 31st December 2019 and 2020, the Directors have set the major assumptions as set out below, based on reviews and recommendations made by actuaries:

Group and Company	2020	2019
Rate of increase in salaries	2.0%	2.1%
Rate of increase in pensions payment	3.0%	3.0%
Discount rate	1.5%	2.1%
Inflation	2.0%	2.1%

The actuaries have determined that the assumed life expectancy on retirement at age 60 is as follows:

Group and Company	2020	2019
Male aged 60 now	26.5 years	26.4 years
Male aged 45 now, from 60	27.6 years	27.4 years
Female aged 60 now	29.1 years	28.9 years
Female aged 45 now, from 60	30.2 years	30.0 years

22.6. GNC scheme

(i) Analysis of the scheme assets:

GNC scheme	2020 £	2019 £
Pension contracts	55,795,000	51,646,000
Market value of assets	55,795,000	51,646,000
Present value of liabilities	(61,315,000)	(53,444,000)
Net pension liability	**(5,520,000)**	**(1,798,000)**

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	2020 £	2019 £
Current service cost	(1,747,000)	(1,392,000)
Administration costs	(22,000)	(20,000)

(iii) Analysis of amounts charged to finance costs:

GNC scheme	2020 £	2019 £
Net interest on net defined benefit liability	(53,000)	12,000

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

GNC scheme	2020 £	2019 £
Actuarial loss arising during the year	(7,457,000)	(8,186,000)
Return on plan assets greater than discount rate	3,458,000	5,017,000
Actuarial loss recognised in consolidated statement of comprehensive income	**(3,999,000)**	**(3,169,000)**

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

GNC scheme	2020 £	2019 £
Present value of defined benefit obligations	(61,315,000)	(53,444,000)
Fair value of scheme assets	55,795,000	51,646,000

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

GNC scheme	2020 £	2019 £
At 1st January	(53,444,000)	(43,505,000)
Current service cost	(1,747,000)	(1,392,000)
Interest costs	(1,153,000)	(1,339,000)
Actuarial loss	(7,457,000)	(8,186,000)
Benefits paid	2,486,000	978,000
At 31st December	**(61,315,000)**	**(53,444,000)**

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

GNC scheme	2020 £	2019 £
At 1st January	51,646,000	44,196,000
Total return on plan assets	4,558,000	6,368,000
Employer contributions	2,099,000	2,080,000
Benefits paid	(2,486,000)	(978,000)
Administrative costs paid	(22,000)	(20,000)
At 31st December	**55,795,000**	**51,646,000**

22.7. Gibtel scheme

(i) Analysis of the scheme assets:

Gibtel scheme	2020 £	2019 £
Equities	10,274,200	7,664,600
Debt securities	7,869,600	9,278,200
Cash and other assets	3,716,200	3,227,200
Market value of assets	21,860,000	20,170,000
Present value of liabilities	(35,260,000)	(30,990,000)
Net pension liability	**(13,400,000)**	**(10,820,000)**

(ii) Analysis of amounts charged to operating profit:

Gibtel scheme	2020 £	2019 £
Current service cost	(460,000)	(350,000)
Administration costs	(50,000)	(40,000)

(iii) Analysis of amounts charged to finance costs:

Gibtel scheme	2020 £	2019 £
Net interest on net defined benefit liability	(220,000)	(240,000)

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

Gibtel scheme	2020 £	2019 £
Actuarial loss arising during the year	(3,850,000)	(4,400,000)
Return on plan assets greater than discount rate	880,000	1,530,000
Actuarial loss recognised in consolidated statement of comprehensive income	**(2,970,000)**	**(2,870,000)**

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

Gibtel scheme	2020 £	2019 £
Present value of defined benefit obligations	(35,260,000)	(30,990,000)
Fair value of scheme assets	21,860,000	20,170,000

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

Gibtel scheme	2020 £	2019 £
At 1st January	(30,990,000)	(26,140,000)
Current service cost	(460,000)	(350,000)
Interest costs	(650,000)	(780,000)
Actuarial loss	(3,850,000)	(4,400,000)
Benefits paid	770,000	750,000
Participants' contributions	(80,000)	(70,000)
At 31st December	**(35,260,000)**	**(30,990,000)**

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

Gibtel scheme	2020 £	2019 £
At 1st January	20,170,000	17,820,000
Total return on plan assets	1,310,000	2,070,000
Employer contributions	1,120,000	1,000,000
Benefits paid	(770,000)	(750,000)
Administrative costs paid	(50,000)	(40,000)
Participants' contributions	80,000	70,000
At 31st December	**21,860,000**	**20,170,000**

22.8. Both schemes

(i) Analysis of the schemes assets:

Both schemes	2020 £	2019 £
Pension contracts	55,795,000	51,646,000
Equities	10,274,200	7,664,600
Debt securities	7,869,600	9,278,200
Cash and other assets	3,716,200	3,227,200
Market value of assets	77,655,000	71,816,000
Present value of liabilities	(96,575,000)	(84,434,000)
Net pension liability	**(18,920,000)**	**(12,618,000)**

(ii) Analysis of amounts charged to operating profit:

Both schemes	2020 £	2019 £
Current service cost	(2,207,000)	(1,742,000)
Administration costs	(72,000)	(60,000)

(iii) Analysis of amounts charged to finance costs:

Both schemes	2020 £	2019 £
Net interest on net defined benefit liability	(273,000)	(228,000)

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

Both schemes	2020 £	2019 £
Actuarial loss arising during the year	(11,307,000)	(12,586,000)
Return on plan assets greater than discount rate	4,338,000	6,547,000
Actuarial loss recognised in consolidated statement of comprehensive income	**(6,969,000)**	**(6,039,000)**

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

Both schemes	2020 £	2019 £
Present value of defined benefit obligations	(96,575,000)	(84,434,000)
Fair value of schemes assets	77,655,000	71,816,000

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

Both schemes	2020 £	2019 £
At 1st January	(84,434,000)	(69,645,000)
Current service cost	(2,207,000)	(1,742,000)
Interest costs	(1,803,000)	(2,119,000)
Actuarial loss	(11,307,000)	(12,586,000)
Benefits paid	3,256,000	1,728,000
Participants' contributions	(80,000)	(70,000)
At 31st December	**(96,575,000)**	**(84,434,000)**

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

Both schemes	2020 £	2019 £
At 1st January	71,816,000	62,016,000
Total return on plan assets	5,868,000	8,438,000
Employer contributions	3,219,000	3,080,000
Benefits paid	(3,256,000)	(1,728,000)
Administrative costs paid	(72,000)	(60,000)
Participants' contributions	80,000	70,000
At 31st December	**77,655,000**	**71,816,000**

23. 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.

24. Capital commitments

As at 31st December 2020, the Group had ongoing commitments for capital expenditure of £2,174,200 (2019: £3,347,000) and the Company had ongoing commitments for capital expenditure of £2,174,200 (2019: £3,136,600).

The latest operational capital budget for 2021 for the Group is £9,200,000 (2020 Group: £16,818,000 and Company: £16,818,000).

25. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£	**£**	**£**	**£**
Due within one year	464,500	397,600	293,200	261,800
Due between one and five years	680,000	543,000	0	543,200
Due later than five years	0	407,400	0	407,400
Total	**1,144,500**	**1,348,000**	**293,200**	**1,212,400**

26. 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.

27. Contingent liability

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

28. Subsequent events

Aside from the tax rate change disclosed in note 9, there are no subsequent events noted.

End

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