Gibtelecom

CONSOLIDATED ANNUAL REPORT

31st DECEMBER 2021

Company registration number: 37905

CONTENTS

A. DIRECTORS AND OTHER INFORMATION

Directors:	Fabian Picardo	Chairman
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	Sir Joe Bossano	
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B. DIRECTORS' REPORT

1. Our CEO message

Building for the long term

Our purpose is to ensure Gibtelecom evolves as a truly world class telecom provider, developing within the ever-shifting technology landscape, rolling out fibre faster and more efficiently than ever. At the end of 2021 we were at almost 60% the way through our full fibre roll-out (home passed), building a better and more resilient network than any other operator, built for the future needs of Gibraltar. We have a 5G network delivering speeds of up to 300Mbps in real life, available in 70% of Gibraltar.

The past couple of years have been challenging, seeing Gibtelecom rising to the role of critical national telecommunications provider, keeping people working and families connected, and underpinning vital customer services.

Operational resilience

This year Gibtelecom again proved its resilience and ability to get on and deliver. Our operational performance was strong – and doubly impressive in the context of global economic challenges.

I'd like to highlight the continued dedication and hard work of our colleagues, across the company. On behalf of the Board and my executive team, I want to thank every one of them for their efforts during the year and unwavering support for our customers.

Strategic priorities

Outstanding connectivity will always be our core DNA, and it's the engineering excellence within Gibtelecom that will keep us at the leading edge of technological developments and ensure our lasting competitiveness. Building next generation networks will not just lay the foundations for the future economic prosperity of customers, it will also benefit the whole of Gibraltar.

As the world of technology evolves, the weight of societal responsibility on companies like ours becomes ever greater and more complex. We will only succeed if we help solve some of the problems faced by the customers and societies we serve. It will also be the bedrock for Gibtelecom's future success, delivering on our strategy to help in the digital lives of consumers & businesses and support Gibraltar as a world class connected country.

The true strength of our business lies in our unwavering commitment to putting customers first. Building and maintaining their trust in us is the single most important thing we do; we will never take it for granted and we will always strive for better.

Looking ahead

As we pass the peak of our fibre build and move towards an all-fibre, all-IP network, we expect significant reductions in operational costs and investments, towards a lean and scalable Gibtelecom.

It is thanks to shareholders' support that we are making big investments in the long-term future and prosperity of Gibtelecom – on their behalf, and on behalf of customers and the whole of Gibraltar.

2. Scope of this report

The Directors present their report, business review and the audited financial statements for the year ended 31st December 2021 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 operates as an independent company at arm’s length.

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 and targets the English speaking communities living away from home in Spain.

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 United Kingdom (UK) to serve as a consulting company.

In January 2022, Rockolo Ltd was incorporated in Malta in order to operate a data centre in the European Union (EU) zone, and follow our gaming customers outside of Gibraltar.

5. Regulatory regime

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

In 2021, 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. Unlike previous years, the GRA decided to revert to having universal service obligations (USO) designations set to three years. During previous years, USO designations were reviewed annually. 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 (in 2021 the obligation to produce printed directories was removed), measures for disabled persons and affordability of tariffs, and provision of fixed line access and services.

In June 2021, the GRA issued a public consultation reviewing the General Conditions that local operators are to abide to. This review came as a result of changes to the Gibraltar communications legislation which reflects the EU's new European Electronics Communications Code (EECC) transposed into Gibraltar law at the end of 2020. The GRA review proposed to refine the number of General Conditions (down from twenty-one to fifteen), modernising these in the light of evolving technologies and competitive environment. The resulting Decision Notice by the GRA, introducing the revised set of Conditions, was published in November 2021.

During the year, the company continued to be designated by the GRA as having Significant Market Power (SMP) in the retail fixed markets and the wholesale fixed markets. 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. These include substantive Accounting Separation Reports (ASRs); Price Controls; and Notification requirements.

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

6. Consumer vertical

2021 was another challenging year with the Covid-19 pandemic, Brexit and aggressive competition fuelled by TV piracy which have impacted the financial outturn. Nevertheless, Consumer revenues were maintained at £10.0 million, down -1.6% year on year (2020: £10.2 million).

Fixed line services

	2021	**2020**
Number of customers	7,425	8,147

Fixed line revenues grew by 2.5% year on year to circa £1.6 million notably on account of the full year effect of the landline rental repricing applied since November 2020. The increase of £2 per month was the first increase in 10 years and aimed 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 20p 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.

Landline usage, to local and international, declined by -26% compared to 2020 to 13.4 million originated minutes. Indeed, calls from landlines suffer a natural decline worldwide with consumers increasing their use of mobile, VoIP and OTT alternatives, and depending less on PSTN to make calls.

The usage decline was amplified in 2021 when compared to 2020 because landline usage in 2020 was inflated as a result of a nation-wide lockdown and restrictions due to Covid-19 which forced people to stay at home.

Local and international call rates were refreshed and significantly simplified across the board in Q4 2020, the Friends and Family call rate discount was discontinued in July 2021 with some further adjustments required in international call rates as from September 2021 to cater for growing wholesale costs driven by Brexit. These changes have all contributed towards maintaining usage revenue at £0.6 million for the year, just £5k lower than previous year.

The competitive pressure on landlines and broadband has led to a drop of circa 700 consumer telephone lines during the year to 7,425 residential customers at the end of the year.

Mobile services

	2021	**2020**
Pay as you go customers	17,249	20,420
Pay monthly customers	11,205	9,752
No Contract customers	2,143	0
Blended ARPU[(a)]	£15.4	£15.6

(a) Monthly Average Revenue Per User

Mobile revenues were maintained at £5.7m in 2021, with 0.1% increase year on year. During this time, the consumer mobile customer base increased to circa 30,600 subscribers at the end of 2021.

In February 2021, three new No Contract mobile plans were introduced. These plans come with inclusive data, calls and texts just like Pay Monthly, but customers pay in advance which give them all the flexibility and control of Pay As You Go. They are ideal for Pay As You Go customers who don't want to commit to a contract but would benefit from a fixed monthly allowance. It is also ideal for parents who want to keep their children connected. With

No Contract customers can simply set up a monthly payment with a debit or credit card. They will know exactly how much they spend each month, and they don't need to worry about having to top up or buy data. No Contract customers are also in complete control since they can pause, start, change or cancel their plan at any time.

The new 30-day plans range were further improved in July and now start from 6Gb of data with 50 local mins and texts for only £15 to 15Gb of data with 100 local mins and texts for £25. Usage is capped once allowance limits are reached, protecting customers from potential bill shock. They are then able to restart their plan or boost the allowance until the end of the plan if they prefer.

In June, the five leading Pay Monthly plans were also significantly improved adding more data at no extra cost to customers - now offering up to 100Gb of data and starting from only £20 per month.

Growth across these plans, coupled with a continuous drive to get customers on the Monster Bundle, have contributed towards an increase of 49% in Mobile Plans revenue year on year to over £2.1 million.

However, the "out of bundle" mobile usage dropped during 2021. This includes both voice and data, down £-0.2 million and £-0.5 million year on year respectively.

The key driver to this drop, particularly noticeable on Pay As You Go, is that a higher number of users are moving across to better value plans with large allowances of data and inclusive minutes. Therefore, they are less likely to pay for additional usage. Mobile users, particularly the younger generation, are also increasingly relying on data only plans, communicating mostly on WhatsApp, Messenger, Facetime and Snapchat through which they can call, text and share voice clips.

The usage decrease was also impacted by the pandemic, with people working from home and using fixed line services or WiFi. During 2021, Roaming-out usage was also affected due to travel restrictions.

New Pay As You Go data bundles and Pay Monthly data boosts were also introduced in July 2021 providing much better value for customers.

June also saw the launch of a Gibraltar-wide, next-generation 5G network, bringing superfast data speeds on 5G compatible devices and building the foundation for a truly connected society.

In 2019, Telecel acquired the mobile network of Limba, our local mobile competitor which closed business in 2016. However, no services or promotional campaigns have been launched to date. Mobile coverage from neighbouring countries continue to cover most of the Rock, directly competing on local usage and inbound roamers. With Roam Like at Home packages widely available in Europe, a significant number of customers use alternative European mobile operators in Gibraltar.

Broadband services and IPTV

Broadband only (fibre or copper)	2021	2020
Number of customers	5,766	6,156
Market share[a]	33%	33%

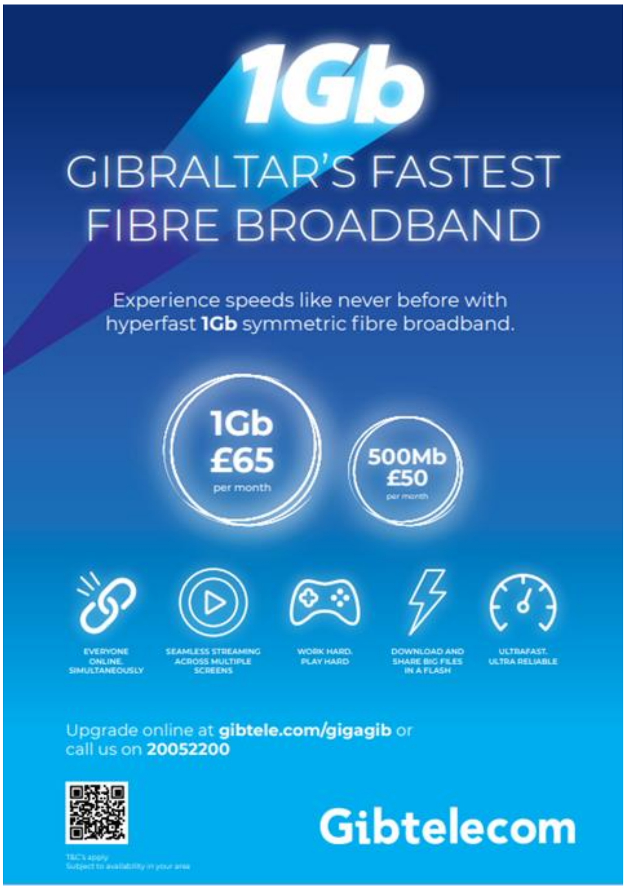
(a) Source GRA, Gibraltar Regulatory Authority published as at March 2021 and March 2022

The broadband market continues to be highly competitive. During 2021, broadband revenues have declined -14% to circa £0.9 million.

In this market, Gibtelecom has 2 competitors: Gibfibre and U-mee who bundle an internet broadband connection with VoIP and TV. Their TV offerings include a wide range of pirated and unlicensed content for which they do not pay any fees to the legal owners of the content, linear channels, sport content providers, cinema, TV series or aggregators. Piracy has been the main reason behind the customer losses experienced by Gibtelecom on this service in recent years. Gibfibre is now estimated to command 43% market share, with Gibtelecom defending a 33% in a growing market and U-mee at 24%. Gibtelecom had circa 5,800 consumer broadband subscribers as at the end of 2021, of which only 2,200 were on a standalone product, and the majority on a bundled package with a mobile product.

Gibtelecom continues to enhance its TV offering, competing better in this space and helping with customer retention. Gibtelecom's TV now includes over 130 linear channels plus popular on-demand content like Rakuten, Amazon Prime Video and YouTube. The channel bouquet grew by 29 channels net, with noticeable additions such as some UK public service broadcaster channels and the UEFA football content, all of which were in high demand. As a standalone product, TV is not generating a significant amount of revenue, but this value-add has proven to be a critical piece in retaining loyal customers. Moreover, Gibtelecom is offering a true one-stop-shop and has improved the overall customer proposition to deliver a reliable, fully legal and complete TV service to Gibraltar.

Gibtelecom has made good progress with its fibre-to-the-home roll-out plan throughout the year with circa 1,100 customers now enjoying speeds in excess of 100Mbps, at either 1Gb, 500Mb or 300Mb.

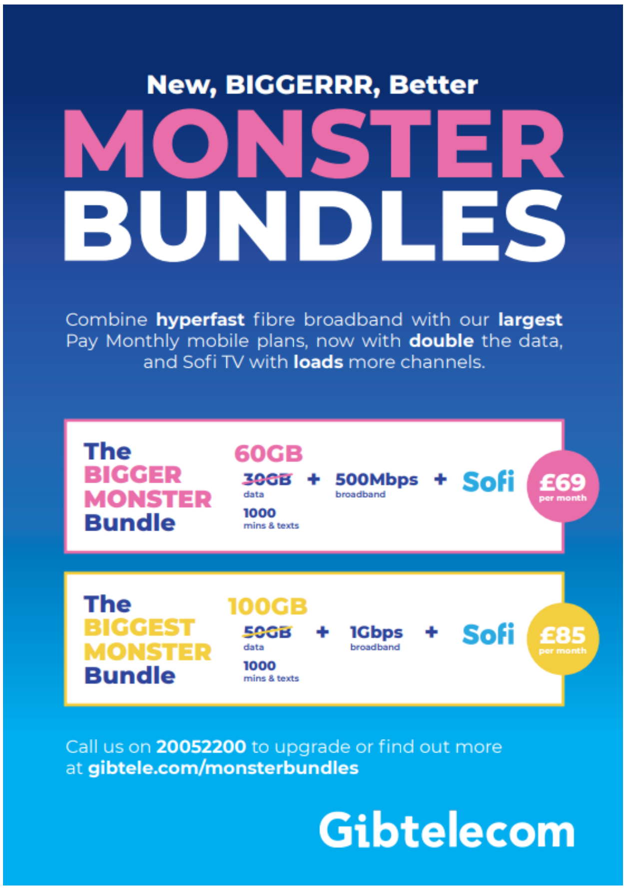


Bundled services

	2021	2020
Triple play customers	3,571	3,562

The revenue derived from bundled services (Mobile, Broadband and TV) reduced by circa £65k in 2021 to £1.8m despite a year on year growth in number of customers. This was driven by a sharp loss in customers prompted by competition in the first half of the year, which was recovered in the latter part of the year through targeted campaigns, promotions and an enhanced TV offering.

Gibtelecom currently proposes four main bundles comprising broadband, TV and a Pay Monthly mobile plan.



7. Enterprise vertical

Enterprise revenues decreased year on year by -14% to £17.4 million (2020: £20.3 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.

The year 2021 has been a transitionary year for the vertical as we have started to introduce our new set of products like the Enterprise Fibre Broadband (EFB) specifically designed for companies, large and small, bundled with our overlay of managed services which have been progressively enriched.

All product lines continue to see competition from both local and international providers mainly from the managed services space as customers look more for suppliers that are able to offer business solutions rather than simple technology products. Going forward, Gibtelecom will continue to enrich its managed services suite of products in order to meet this specific demand from our customers.

Declining revenues derived from the gaming community continues to be the biggest threat for our business as customers move their technology, previously based in Gibraltar, to hyperscale service providers such as Amazon, Microsoft and Google. Several service cessations mainly impacting the data centre and the network services revenue lines account for the revenue shortfall for the year.

Fixed line services

	2021	2020
Number of customers	1,841	1,867

Revenues from Fixed line services derived from Enterprises were up year on year by 1% to £3.2 million, as a result of the take up of new services which will drive revenue higher in the future as we continue to move towards holistic managed service office solutions. However, legacy telephony usage is expected to continue to decline in favour of cloud-based solutions such as Teams or Zoom. This ongoing cultural shift, accelerated by the Covid-19 pandemic, will permanently impact this revenue going forward.

Starting in 2020 and throughout 2021, Gibtelecom has carried out a program to migrate services from legacy technologies to new technologies with the aim to answer better the needs of our B2B customers. In Q4 2020, new fixed telephony products were launched including an enterprise grade Gibraltar based hosted PBX (HPBX) solution, answering a noticeable gap in the market that was being filled by several solutions hosted outside Gibraltar. The new HPBX is a secure and reliable solution which enables customers to carry out their phone calls on the public internet without the risks of being hacked or targeted by malicious devices which are proliferating on the public internet. This full featured hosted office telephony solution also 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 in 2020 to replace legacy ISDN services. This project was completed in 2021 with a significant take up and very positive feedback from the business community of Gibraltar.

Mobile Services

	2021	2020
Pay monthly customers	4,695	5,262
Blended ARPU[(a)]	£50.0	£43.4

(a) Monthly Average Revenue Per User

Mobile revenues increased year on year by 3% to reach £ 2.8 million in 2021.

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 people.

The new all-inclusive plans launched in the latter end of 2020 continue to grow steadily offering simplicity to customers who appreciate the constant monthly spend. The 25Gb plan has proven the most popular amongst the business community closely followed by the 12Gb plan. The take up of these plans far outweigh the reductions in legacy plans resulting in a 5% increase in plans revenues when compared to 2020.

Usage is also up on 2020 by 10% mainly driven by an increase in customer's roaming abroad which increased by 17% compared to the previous year. Similar to the fixed lines usage, this is not in line with what is expected but more as a result of lack of travel during 2020 due to the pandemic.

Data revenues are down however by -32% as expected as a result of data now being included in the new all-inclusive plans.

Broadband Services

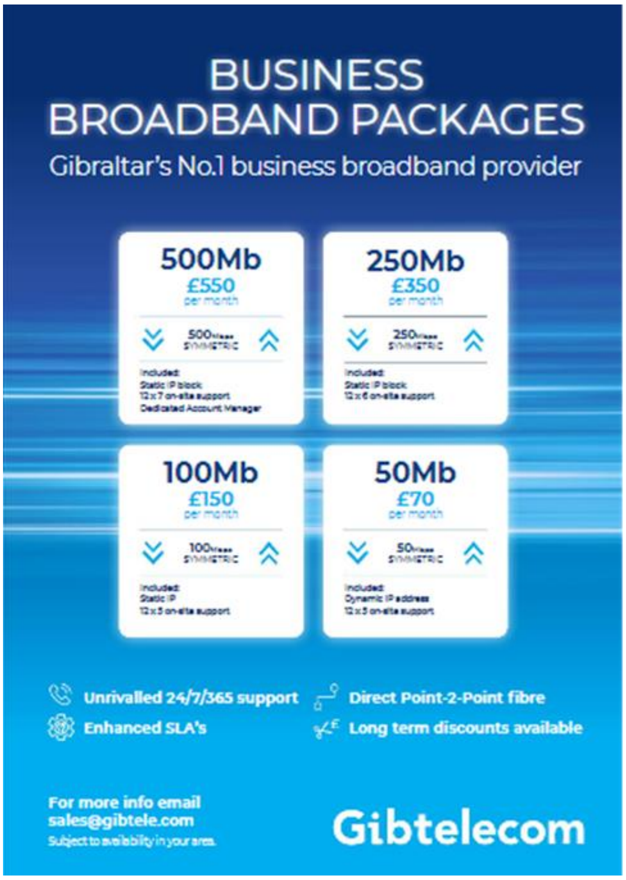
Fibre or copper broadband	2021	2020
Number of customers	2,467	2,433
Market share(a)	81%	83%

(a) Source GRA, Gibraltar Regulatory Authority published as at March 2021 and March 2022

Overall broadband revenues were up 7% vs. 2020 as the uptake from the new premium services now offsets the decrease in legacy broadband lines.

Indeed, a new suite of synchronous (same upload and download speeds) premium business broadband products were launched in Q4 2020 under the name of Enterprise Fibre Broadband (EFB). Four categories of EFBs were launched with different speeds (from 50Mbps to 500Mbps) and different service levels (onsite support and online support).

As we move towards ubiquitous Fibre to the Premise (FTTP) coverage in Gibraltar, more business customers are making the move from legacy copper-based infrastructure products to fibre-based services. There are now nine different business broadband offerings available that cater for a range of requirements from the Small Office/Home Office (SOHO) services for the more price sensitive customers to those enterprises needing high availability offerings with a similar variety of price points.

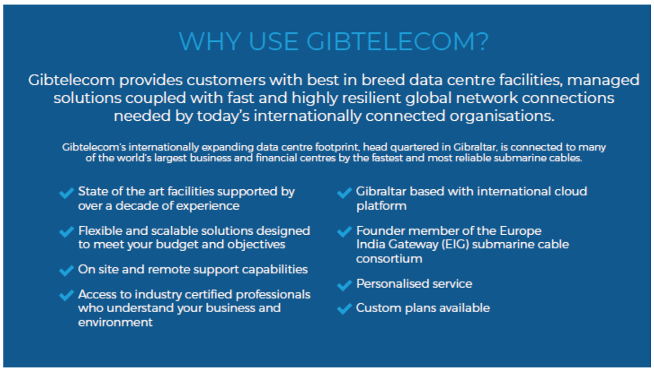


Broadband plans have seen a 9% increase in revenues when compared to the previous year with Broadband services which also include Managed CCTV, Managed Wifi and legacy hosting services have grown 7% when compared to 2020. Growth is expected to continue to increase in this area during 2022 with the launch of new services and upgrading of existing ones to bring them in line with customer expectations.

Managed Data Centre Services

Our data centre services revenues has decreased by -14% compared to 2020 mainly as a result of the aforementioned downsizing of some e-gaming customers' infrastructure in Gibraltar.

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.



Although the data centre services remain a significant revenue growth opportunity, 2021 results have been disappointing. This has been driven by two main factors:

- a number of new customers who were expected to take up cloud services during Q1 2021 did not do so until Q4 and,
- a number of large customers, mainly in the physical data centre space, downsized or moved significant infrastructure away from Gibraltar into hyperscale cloud service providers such as Amazon AWS, Microsoft Azure or Google Cloud.

This highlights the challenges infrastructure providers such as Gibtelecom face through competition from abroad especially in the enterprise services arena. Cloud Services nonetheless grew by 26% when compared to 2020 and this trend is expected to continue.

Like many other cloud service providers, our service is based on a flexible pay as you go usage model associated with a robust and reliable technology. Our main competitive advantage resides in the data sovereignty, namely a guarantee that the data processing and servicing is based in Gibraltar.

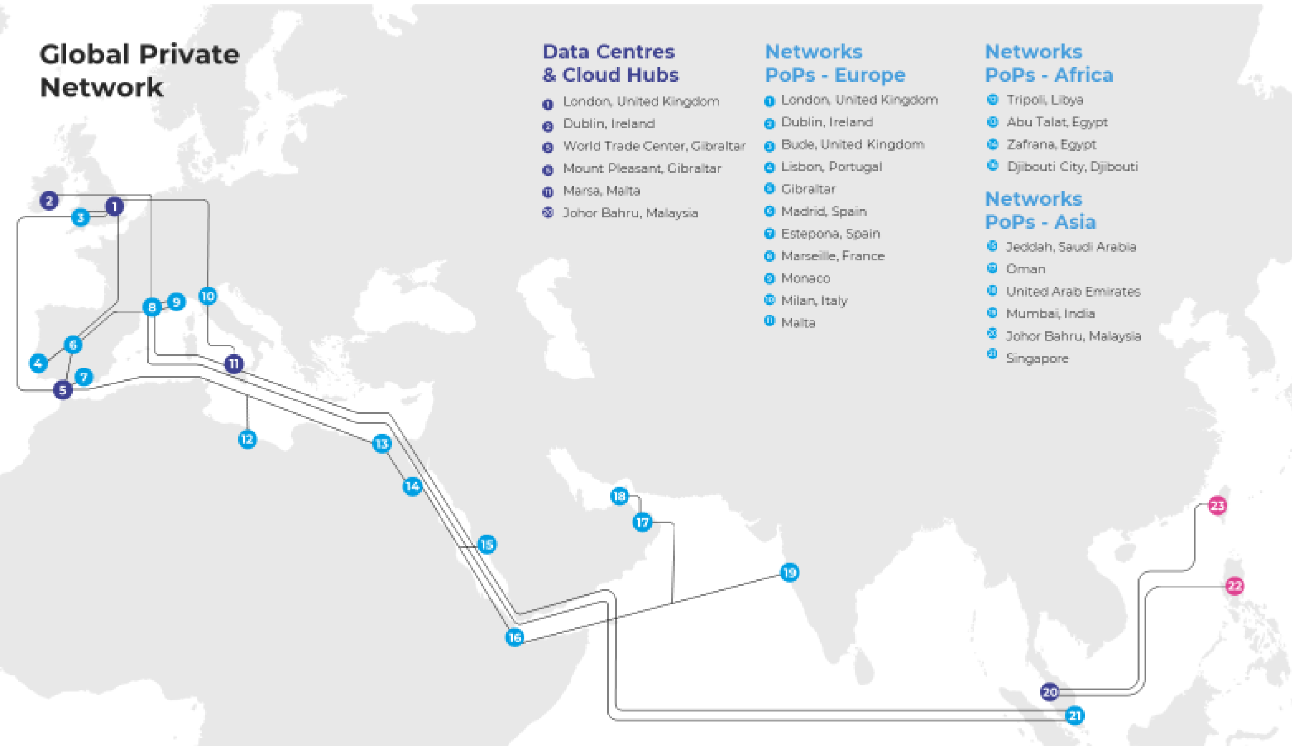
Revenues for physical data centre colocation still make up the major share of the revenues in this area but have declined by -26% vs. 2020 driven by the "cloud first mentality" adopted by many of our B2B customers. This shift has seen several customers move from physical data centres to the Gibtelecom cloud. However, a number of customers 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 some evolutions of the local gaming regulation which has granted exemptions to licensing conditions for e-gaming companies who hold a Gibraltar based license for offshore activities.

Network Services

Revenue from circuits decreased year on year by -30% to £6.1 million.

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. These newer services now vastly outweigh the legacy products in terms of revenue generated.

Similar to Data Centre Services, Network Services that are largely composed of Flexiband, our premium broadband product and a combination of local and international Point to Point circuits, have been significantly affected by our largest customers moving services on to hyperscale cloud providers.



8. Carriers vertical

In 2021, 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.

Despite a difficult year with continued Covid-19 restrictions, affecting inbound roaming, delivery of network hardware from suppliers, and uncertainty around Brexit, the Carrier vertical showed a small increase in revenues compared to the previous year.

Wholesale and 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.

The EIG cable is also a profit centre for Gibtelecom as it can sell some EIG bandwidth to other telecom operators or more generally other businesses. The EIG cable enables a presence on the wholesale business and 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.

EIG is fully integrated within our transport network, notably to Asia in association with the IRU (Indefeasible Rights of use) owned in other submarine cable systems. It enables to offer a reliable connectivity from Gibraltar to the rest of the world or for transit traffic.

Figure 1: Gibtelecom has circa 4% ownership in the EIG submarine cable and has purchased IRU (Indefeasible Rights of use) in the Sea-Me-We 4, Sea-Me-We 5 and BBG submarine cables.

The year 2021 showed continued pricing pressure from customers in the wholesale data space, and the loss of revenue from the EIG consortium due to the expiry of a 10 year cable station recovery costs, however the overall revenue remained steady.

Run-rate business in the main were renewed and Gibtelecom won new wholesale contracts, including one with a Pan African operator.

An MoU & contract were signed with a fellow EIG consortium member for the delivery of EIG capacity between Lisbon and Marseille, this project has been delayed due to supplier delivery issues but the route was operative in Q1 2022.

As a small carrier, Gibtelecom's ability to win contracts in the wholesale space is based on the capability to leverage customers' relationships. As a result of Covid-19, face-to-face meetings were at a minimum, which has had an adverse impact on other business development opportunities.

Our investments in new submarine cable projects and upgrades have been minimum and based around our core network requirements, to minimise financial risk on what has been a difficult year.

Network Development

The Carrier vertical has been heavily involved in the expansion of the Gibtelecom's global footprint in support of the Enterprise vertical and the core network: supporting both in terms of identifying carrier partners for Enterprise delivery and negotiating key commercial terms.

The Carrier vertical continues to represent Gibtelecom in the EIG submarine Consortium, including participation in the EIG upgrade capacity for both wholesale and core network requirements.

Figure 2: Gibtelecom European backbone

Gibtelecom has built connectivity from Malta and from Malaysia to Singapore, including new IP transit and DDOS in order to sustain our international expansion program and make sure our network quality meets our customers' expectations in terms of latency, bandwidth and digital security.

Further enhancements and efficiencies to the international network were achieved, resulting in a more resilient network, and avoiding single point of failure.

Roaming

Roaming-In and international incoming traffic continued to be affected by Covid-19 travel restrictions which remained in place throughout the year. Despite the restrictions we have seen an increase in inbound traffic in 2021. The number of roamers increased by 25% compared to 2020 but this was still 50% lower than 2019 (Pre Covid-19).

Despite the continuing challenging conditions and low number of roamers, inbound roaming revenue exceeded Pre Covid-19 levels primarily due to favourable commercial negotiations with our top carrier partners.

Those deals were challenging due to the uncertainty of the outcome of Gibraltar's Brexit negotiations. However, the company secured a deal with every EU partner for the benefit of the Gibtelecom group. These deals encourage our partners to keep Gibraltar within their Roam Like At Home (RLAH) packages, allowed Gibtelecom to continue to offer their customers RLAH and kept Lobster operating as per EU Regulations. In turn, Lobster was able to increase its mobile data packages, attract more customers and remain competitive in a saturated market.

Preparations internally are progressing with our top carrier partners to prepare for the launch of 5G roaming-in and roaming-out in 2022, enhancing the customer experience.

Voice

In relation to international voice traffic, Gibtelecom has continued business with our historical partners, however our United States interconnect partner discontinued the partnership in 2020 following migration onto a VoIP (Voice over IP) platform. In 2021 this was re-instated using VoIP conversion with a third party provider.

2021 revenue is slightly above last year as we benefitted from a recovery from Covid-19 lockdowns, however the recovery was slower than anticipated.

Brexit has impacted this line of activity as UK and some EU countries have started to depart from the Roam like At Home policies and have notably introduced an Origin Base Rating (OBR), that is a surcharge for calls from and to Gibraltar, bearing an adverse effect on our outbound traffic costs. This impact has been small in 2021, however more will introduce an OBR in 2022.

Lobster traffic is growing steadily resulting in re-negotiations with our voice transit supplier based on usage as opposed to fixed fees. This has enabled to reduce our costs per minute.

Lobster traffic has not been subject to OBR surcharges since Lobster operates in an EU country.

Over 85% of Gibtelecom's originating voice traffic is terminated using BT or Telefonica.

9. Technology

Strong Foundations

2021 evidenced our continued commitment to investing in strong technological foundations, building infrastructure and networks that will serve our communities for the coming decades. This, born out of our belief, that robust and speedy networks are central to supporting a cost-effective, converged, and multi-service strategy that exceeds customers' expectations.

Technologically, our goals for 2021 have centred around providing industry leading mobile and fixed connectivity, whilst reducing our legacy estate and pushing for technical efficiencies.

Converged Network

The deployment of a converged core network, together with an IP Multimedia Subsystem (IMS) ecosystem, has enabled us to reach an important and exclusive milestone that many incumbents are yet to achieve. That is, transitioning all services and technologies to 'All-IP'. After an intense, multi-year rollout, the final elements of our legacy PSTN network have been decommissioned. This has resulted in material energy savings, a significant reduction in real-estate requirements and, an improvement in the utilisation of our technical assets.

Furthermore, the convergence of technologies has allowed us to increase our operational capabilities by offering a multitude of new services to relatively underserved segments. Notwithstanding, the industry's aggressive push to 'Cloud-native' infrastructure, whilst lauded for operational efficiencies, is proving to be a considerable burden for small operators such as Gibtelecom. The complexity and elevated costs of operating such ecosystems are currently outweighing the potential advantages. This, however, presents synergetic opportunities by allowing us to expose our expertise to enterprises in guiding them through the complexities of transposing their own systems and services to cloud infrastructure.

Full Fibre

We have continued to accelerate our point-to-point, full fibre deployment throughout 2021. Closing the year with 50% of Gibraltar 'fibre-ready' and, an additional 25% of the footprint in build-out phase. This equates to 10,500 premises passed, 5250 premises in build-out, with a further circa 5250 premises remaining to be reached. A total marketable base of 21,000 premises. Having transitioned circa 3000 customers to full-fibre, the robustness of the infrastructure and technology is self-evident: routine field operations have decreased by -30% with tier-1, first-time resolution, surging to 95% of customer interactions.

In tandem, we have also increased our in-home Wifi portfolio and remote management capabilities. This has, again, contributed to a decrease in service-related incidents.

Figure 3: FTTH connectivity

Continuing with our belief that robust and speedy connectivity will be the mainstay of innovation and customer satisfaction, we are currently undergoing field trials for faster symmetrical connectivity, with speeds of up to 10 Gb/s and home gateways capable of supporting the newest Wifi standards.

5G

Alongside our full-fibre investment, we have continued to significantly improve our mobile networks. During the summer of 2021, we launched

5G, leveraging 100MHz of mid-band and 15 MHz of low-band frequencies. A combination which has allowed us to offer near instant connectivity, real-world speeds of circa 800Mbps, significantly more capacity than existing 4G, and improved indoor coverage.


Figure 4: One of our mobile sites equipped with 5G

We have also taken advantage of our ‘full-fibre’ investment and upgraded the backhaul connectivity to our mobile mast sites, deploying over 100 10G links.

Performance metrics continue to evidence a first-class mobile service with an average success rate for calls of 99.9% across all technologies.

With regards to the recently introduced Voice over LTE (VoLTE) service, offering an enhanced customer experience, approximately 35% of our mobile customers have organically transitioned from legacy 2G and 3G voice networks. We continue to work with handset manufactures to augment the brands that support Gibtelecom’s VoLTE set-up, out of the box. To that end, Gibtelecom become the first operator to be officially recognised by the GSM Association as VoLTE certified, leading to the simplification of handset homologation.

Simplified Operations

Throughout the year, we have continued to rationalise systems, streamline processes, and drive efficiencies through our digital transformation strategy. Further automation of manual interventions, processes and abstraction of complex tasks has continued, tangibly reducing the number of customer-facing failures.

10. Lobster

	2021	2020
Number of customers	47,255	30,534
Blended ARPU[(a)]	€10.5	€10.1

(a) Monthly Average Revenue Per User

The year 2021 was the third year of operation of Lobster and saw the customer base grow from circa 31k customers to circa 47k, whilst the blended ARPU increased from €10.1 in 2020 to €10.5 in 2021.

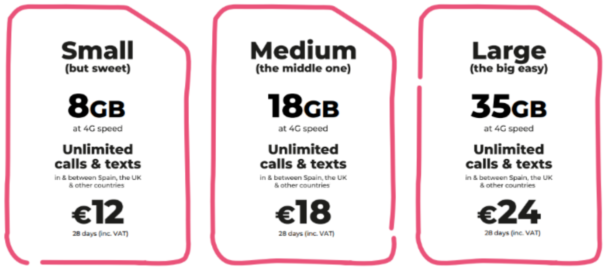
Revenues in local currency grew from €2.8 million in 2020 to €4.8 million in 2021, a growth of 77% over a year despite the significant challenges imposed by Brexit and Covid-19 which have both slowed down the growth of our operations in Spain.

Covid-19 led to the contraction of the Spanish GDP by 10.8% in 2020. From this low point, the GDP grew in 2021 by 5.1% but the economic output has remained slow throughout the year 2021.

Furthermore, 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 continued challenges, Lobster initiated an ambitious digital transformation project by renewing the Lobster Web page and the Seller Portal with the aim of both increasing the number of customers who directly purchase the service and speeding up the sales process in the physical channels.

Our offering has remained the same with our 3 basic talk plans, however in February 2021 Lobster commercially repositioned its tariffs giving more data of 8Gb, 18Gb and 35Gb to make them more competitive against the main competitors. A one month free campaign was also run in online and telesales channels as an accelerator to boost sales.



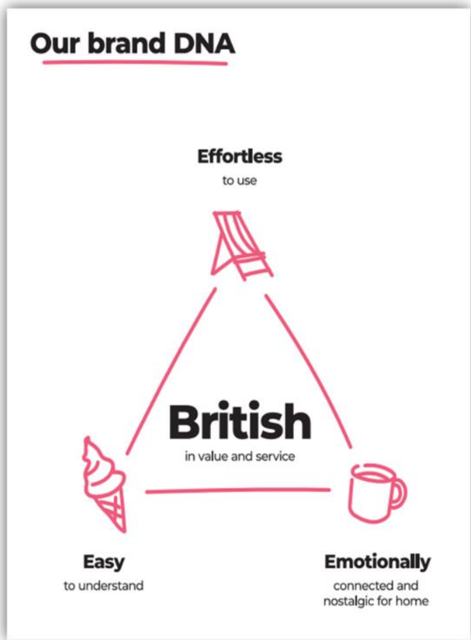
In March 2021, Lobster launched its referral program where Lobster customers are rewarded 5€ to refer their friends to Lobster by way of sharing a link. The reward was later increased to €20 in early 2022.

In April 2021 Lobster changed its billing cycle from monthly to 28 days which yielded an immediate increase in revenue. This movement aligned with common billing practices in the market from our main competitors.

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:



11. Improve operational efficiencies

With Covid-19 lockdowns, Gibtelecom had to adapt its ways of working towards remote workings, digital presence and paperless 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 and 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 Government furlough scheme.

After the lockdowns, Gibtelecom has kept an agile working model which contributed to maintain employee's engagement and company efficiency.

During 2019, Gibtelecom has thoroughly reorganised its operations through the creation of 4 verticals (Consumer, Enterprise, Carriers, Lobster) in order to address the B2C and B2B customers differently and accordingly. Since 2020, 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 to define the right approach, hence avoiding duplication of tasks or duplication of assets in various jurisdictions. The group is also focused to create an organisation, structures and solutions as scalable as possible. Indeed, as a small telecom operator, it is vital for Gibtelecom to strike the right balance between cost and efficiency.

Our Technology and support teams are servicing the verticals in the most transversal way and strive to avoid the silo effect that evidently can arise in a vertical organisation like ours. Those teams are rolling out automation projects and task rationalisation so it becomes less onerous and quicker for our employees to perform a higher number of tasks which arise from the diversification of Gibtelecom's activities.

Indeed, our operational efficiencies cater for the delivery of our wider strategy of market & product diversification, our internationalisation roadmap, our aim to become a larger operation in order to create economies of scale.

Whilst implementing operational efficiency measures, Gibtelecom is carefully monitoring the impact on our employees, our people. We try to maintain a high level of expertise and satisfaction because we strongly believe that our people are the main assets of the company.

12. Work for the Community of Gibraltar

Gibtelecom is deeply anchored in the Community of Gibraltar. As the incumbent telecom operator, our role is to keep Gibraltar connected at all times, maintain a high level of service to its local customers and ensure that Gibraltar remains independent and self-sufficient in the strategic domain of communications. More than ever, communication is a strategic asset and a key building block to the self determination of the territory of Gibraltar.

Our company is providing a one stop shop communication service made of mobile, fixed line, fixed internet, TV and all associated services because our mission is to help in the digital lives of people & businesses and support a world class connected Gibraltar.

To this end we are investing in a state of the art technology which is comparable in size and efficiency to much bigger telecom operators worldwide. We are also offering a suite of services and products to both B2C and B2B which are at par with much wider digital companies. We care to bring those efficient services to Gibraltarians at the most efficient prices even if, as a small telecom operator, it is not an easy task and we need at times to find inventive solutions to keep those services at an affordable price for Gibraltar.

Investing outside of Gibraltar makes it possible to connect Gibraltar at all times, it helps locate Gibraltar on the map and enables our employees to remain industry experts in a fast pace and fast changing world.

Besides, Gibtelecom is giving back to the community in various ways, through sponsoring of local events, local employment, use of local providers and suppliers, funding local charities and also through the dividend payment which flows up to the Government of Gibraltar.

Our FTTH and 5G projects are also dedicated to the community of Gibraltar as we are aiming to equip every household and every business with a state of the art connectivity. In particular, our fibre to the home (FTTH) program will provide a ubiquitous connectivity throughout Gibraltar. The program should connect nearly 100% of the population by the end of 2022 and use a technology capable of sustaining unlimited bandwidth for the next 30 years or more.

Whilst we have been busy laying down our fibre cables in every street of Gibraltar, we have been particularly careful to renovate ducts, manholes and all other infrastructures which are key for a territory like Gibraltar. Our installation methods and guidelines have been appraised by the relevant authorities such as building control and used as an example for the years to come. We care for the beautification of Gibraltar, we care for the safety of our installations, we care to have tidy and future proof infrastructure because we believe they are an important asset for the Community.

Figure 5: a renovated manhole in the city centre

Our 5G project has also been an opportunity to dialogue with consumers and with the environmental and health groups in order to alleviate concerns over electromagnetic emissions procured by 5G. This new technology has been the occasion for us to reaffirm our commitment towards a set of key principles that we have developed in 2013 in conjunction with the DPC (Development & planning commission) during the 3G installation. Abiding to those principles:

- no antennas will be erected within hundred (100) meters of a school or hospital, to be orientated in the general direction of such an establishment,
- new sites are only planned when extant facilities are limited by the topography or the technology and, therefore, lack Radio Frequency propagation to provide adequate coverage.
- The generalised use of low-power transmitters in order to contain, in as much as reasonably practical, electromagnetic emissions.

In 2021, the Covid-19 measures adopted in 2020 have been continued. 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 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 without resorting to the Government measures such as the furlough scheme.

13. Principal risks

Customers

Gibtelecom 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 profiles of customers and to retain its current customers.

Brexit

In 2021, 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 2021 during the Covid-19 lockdown and have 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.

Technology resilience

Gibtelecom is connecting Gibraltar to the rest of the world through its incoming international gateway and through its entire network. Whilst a technology failure is always possible, Gibtelecom has adopted a strong stance to prevent any major outage based on the following principles:

- Partnership with prime suppliers based predominantly in Gibraltar, UK and Spain. Despite the relatively modest size of Gibtelecom for a Telecom operator, we source our technology from industry leaders to ensure the best in class telecom service. We are also adopting a multi-vendor policy to reduce dependency risks,
- Internalisation of key functions, Gibtelecom has over time internalised key functions to sustain its technology on mobile and fixed business alike.
- International connectivity redundancies, Gibtelecom has developed international points of presence and has multiplied the numbers of international gateways to and from Gibraltar in order to ensure that the territory can sustain multiple connectivity faults at the same time.
- Major outage identification, Gibtelecom has a strong protocol of identification and escalation of major outages with internal deadlines and 24 hours on-call monitoring.
- Electricity outage, our equipment in Gibraltar are connected to power and rely on the sole energy provider available in Gibraltar. Therefore, all our equipment are equipped with generators which can sustain a power cut of several hours and which are tested regularly.

Digital threat

Gibtelecom IT estate is regularly monitored to detect and remedy any digital threats. Our people are regularly trained to identify digital threat and react accordingly.

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 had secured a new loan facility with a bank of up to £10 million which will help fund the investments for the next 3 years. In September 2021, the £10 million loan headroom was increased to £13.6 million. 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.

In 2021, the Directors have also undertaken a review of the disruptions to the global supply chain and its consequences on the availability of key raw material such as silicon. Whilst the situation impacts our operations on a day to day basis and creates elongated delivery times, there is no threat to the overall delivery of our business.

Furthermore, the business planning cycle which relies on timely monthly closings and monthly management reporting enables the management and the directors to deliver a precise and accurate full year budget which is completed by monthly rolling forecasts, a review of the main variances vs. budget and year on year. When necessary, in-depth reviews are carried out to understand the drivers of the main variances. The business planning process provides outputs for a cash flow statement which enable to monitor the liquidity and reforecast cash requirements.

The Directors have considered the impact of the Brexit negotiations in relation to Gibraltar on the 31st December 2021 consolidated financial statements.

The EU-UK Trade and Cooperation Agreement, which came into effect on 1st 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 relating to Gibraltar, 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. 2021 Key Financials

2021 was another challenging year for the Gibtelecom group notably driven by the fact that a few other e-Gaming operators have moved their infrastructures out of Gibraltar in 2021. The effect of Covid-19 have also impacted our operations with a strict lockdown in Gibraltar in Q1 2021 and a continued slowdown in Spain and in our international activities. A strong finance discipline was maintained with costs saving initiatives and cash protections measures which enabled to partially offset the impact of the activity slowdown. This has helped maintain an Ebitda margin around 20%. Nevertheless, the group has retained its commitment towards long term investment projects such as FTTH, 5G and Lobster.

Revenue has decreased YoY by -3.8% to £38.8 million mainly on account of the Enterprise vertical which was impacted by the e-Gaming downsizing as highlighted above. Carriers and Consumers were broadly impacted by the Covid-19 lockdowns. In Spain, despite Covid-19, Lobster revenue has continued to post a double digit growth of +77% in local currency (+72% in GBP) driven by a customer base increase of 55%.

Costs have been strictly controlled to maintain an Ebitda margin around 20%. Our costs saving initiatives launched in 2020 have enabled to generate costs savings in excess of £2.0 million. Therefore, despite the revenue overall decline of £-1.5 million YoY, our Ebitda has declined by slightly less than £-0.5 million. Amortisation and finance costs have also been tightly controlled which enabled to reach a net profit of £0.7 million, that is £-0.5 million adverse vs. 2020.

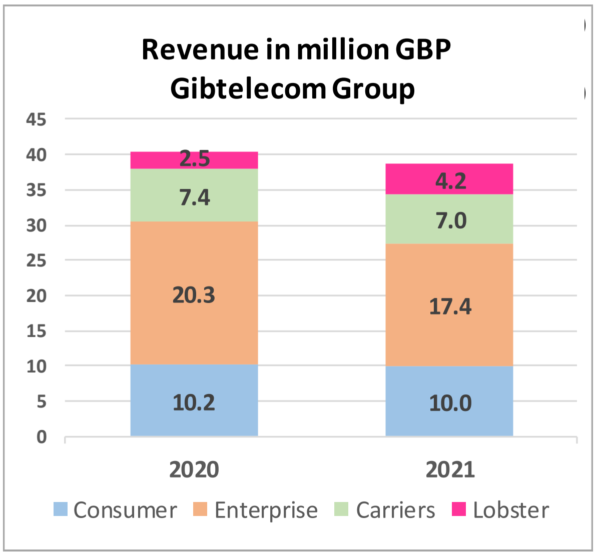
Investments have been maintained at a high level of £7.5 million in the year mainly on account of the FTTH program and 5G.

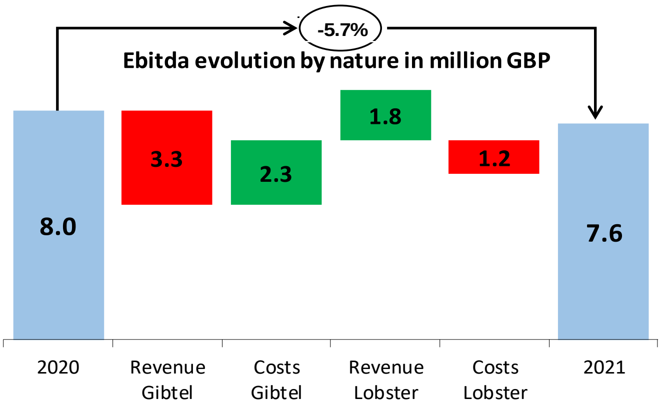
The net debt of the group has increased to £6.2 million in order to fund the strategic capex projects and the Lobster activities. Our credit score remain strong with a net debt to Ebitda of 0.8x.

Gibtelecom Ltd revenue was £33.9 million (2020: £36.5 million). Ebitda £7.2 million (2020: £7.6 million) and net profit £0.6 million (2020: £1.0 million). The dividends declared in 2021 were £1.0 million (2020: £1.0 million). No further dividends recommended.

Main indicators - Gibtelecom Group

in million GBP	2020	2021	YoY %
Revenue	40.3	38.8	(3.8%)
Ebitda	8.0	7.6	(5.7%)
Margin %	19.9%	19.5%	
Net profit	1.1	0.7	(42.5%)
Margin %	2.8%	1.7%	
Capex	10.8	7.5	(30.1%)
Intensity %	26.8%	18.3%	
Net debt	4.8	6.2	30.0%
Ebitda multiple	0.60x	0.83x	
Cash from operations	(2.8)	0.0	101.1%
Number of customers	91,067	107,422	18.0%





16. Subsequent events

The Haven building was sold in July 2022 as part of our ongoing review of our future workspace requirements.

Changing customer needs (notably in the domain of physical data centres) coupled with the evolution towards more remote working meant that we no longer had a requirement for the space provided by the Haven building, in the longer term.

We will continue with this programme of reviewing and consolidating Gibtelecom's footprint as our business evolves.

17. 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).

18. 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.

19. Auditor

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

By order of the Board

....

Dwayne Lara, Company Secretary

Date: ....17 OCT 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 2021 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.

R Bhambhwani

Reshma Bhambhwani (Statutory Auditor)
For and on behalf of Deloitte Limited
Statutory Auditor
Floor 3
120 Irish Town
GX11 1AA Gibraltar

17 OCT 2022

D. CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 2021

Group	Note	2021 £	2020 £
Turnover	3	**38,779,472**	**40,327,275**
Operating expenses:			
Technical and infrastructure		(6,257,139)	(7,321,448)
Operational charges	7	(9,617,590)	(10,464,795)
Payments to telecommunications administrations		(3,304,249)	(2,660,663)
Staff costs	4	(12,036,991)	(11,858,812)
Depreciation	11	(5,543,849)	(4,858,499)
EIG Submarine Cable amortisation	13	(654,053)	(1,519,080)
Total operating expenses		**(37,413,871)**	**(38,683,297)**
Group operating profit		**1,365,601**	**1,643,978**
Gain on disposal of tangible fixed assets		-	14,147
Interest receivable on bank deposits		2,054	2,545
Interest payable and similar charges	8	(286,940)	(321,482)
Finance costs (financial component of pension charges)	22	(308,000)	(273,000)
Foreign exchange loss		(13,407)	-
Profit on ordinary activities before taxation		**759,308**	**1,066,188**
Tax on profit on ordinary activities	9	(107,546)	66,452
Profit on ordinary activities after taxation		**651,762**	**1,132,640**

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 £578,368 (2020: £952,240). The parent company has not published its own profit and loss account in these consolidated financial statements.

The notes on pages 40 to 69 form part of these financial statements.

E. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st DECEMBER 2021

Group	Note	2021 £	2020 £
Profit for the financial year		**651,762**	**1,132,640**
Other comprehensive income/(loss):			
Re-measurement of net defined benefit liability	22	3,920,000	(6,969,000)
Movement in deferred tax relating to pension liability	9	(811,000)	1,260,400
Exchange differences arising from investments in foreign operations		(258,237)	(8,138)
Total comprehensive income / (loss) for the year		**3,502,525**	**(4,584,098)**

The notes on pages 40 to 69 form part of these financial statements.

F. STATEMENT OF FINANCIAL POSITION AS AT 31st DECEMBER 2021

	Note	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Fixed assets:					
Tangible & Intangible fixed assets	11	41,025,600	41,323,632	39,912,501	39,833,828
Investments	12	-	-	12,002	12,002
EIG submarine cable	13	6,639,591	6,329,461	6,639,591	6,329,461
Total fixed assets		**47,665,191**	**47,653,093**	**46,564,094**	**46,175,291**
Current assets:					
Stocks	14	996,816	1,093,841	996,816	1,093,841
Debtors					
due within one year	15	13,252,382	15,022,076	23,483,398	22,662,258
due after one year	15	733,430	883,851	733,430	883,851
Cash at bank and in hand	20	2,542,606	2,978,700	1,515,026	2,155,936
Total current assets		**17,525,234**	**19,978,468**	**26,728,670**	**26,795,886**
Creditors, due within one year	16	(8,058,532)	(13,596,010)	(17,146,131)	(19,811,195)
Net Current Assets		**9,466,702**	**6,382,458**	**9,582,539**	**6,984,691**
Total assets, less current liabilities		**57,131,893**	**54,035,551**	**56,146,633**	**53,159,982**
Non-current liabilities:					
Creditors, due after one year	17	(10,302,359)	(6,112,566)	(10,302,359)	(6,112,565)
Provisions for liabilities	18	(15,847,111)	(19,697,384)	(15,797,594)	(19,688,105)
Total non-current liabilities		**(26,149,470)**	**(25,809,950)**	**(26,099,953)**	**(25,800,670)**
Net Assets		**30,982,423**	**28,225,601**	**30,046,680**	**27,359,312**
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		15,982,423	13,225,601	15,046,680	12,359,312
Equity shareholders' funds		**30,982,423**	**28,225,601**	**30,046,680**	**27,359,312**

Approved by the Board on 17 OCT 2022

....
Noel Burrows, Director

....
Albert Mena, Director

The notes on pages 40 to 69 form part of these financial statements.

G. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31st DECEMBER 2021

Group	Note	Called up share capital £	Share premium account £	Profit and loss account £	Total £
As at 1st January 2021		**15,000**	**14,985,000**	**13,225,601**	**28,225,601**
Profit for the financial year		-	-	651,762	651,762
Remeasurement gain recognised in other comprehensive income	22	-	-	3,920,000	3,920,000
Movement on deferred tax relating to pension schemes	15	-	-	(811,000)	(811,000)
Foreign exchange difference		-	-	(3,940)	(3,940)
Total comprehensive income		**15,000**	**14,985,000**	**16,982,423**	**31,982,423**
Dividends		-	-	(1,000,000)	(1,000,000)
As at 31st December 2021		**15,000**	**14,985,000**	**15,982,423**	**30,982,423**

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		-	-	1,132,640	1,132,640
Remeasurement gain recognised in other comprehensive income	22	-	-	(6,969,000)	(6,969,000)
Movement on deferred tax relating to pension schemes	15	-	-	1,260,400	1,260,400
Foreign exchange difference		-	-	(8,138)	(8,138)
Total comprehensive income		**15,000**	**14,985,000**	**14,225,601**	**29,225,601**
Dividends		-	-	(1,000,000)	(1,000,000)
As at 31st December 2020		**15,000**	**14,985,000**	**13,225,601**	**28,225,601**

The notes on pages 40 to 69 form part of these financial statements.

H. COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31st DECEMBER 2021

Company	Note	Called up share capital £	Share premium account £	Profit and loss account £	Total £
As at 1st January 2021		**15,000**	**14,985,000**	**12,359,312**	**27,359,312**
Profit for the financial year		-	-	578,368	578,368
Remeasurement gain recognised in other comprehensive income	22	-	-	3,920,000	3,920,000
Movement on deferred tax relating to pension schemes	15	-	-	(811,000)	(811,000)
Total comprehensive income		**15,000**	**14,985,000**	**16,046,680**	**31,046,680**
Dividends		-	-	(1,000,000)	(1,000,000)
As at 31st December 2021		**15,000**	**14,985,000**	**15,046,680**	**30,046,680**

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		-	-	952,240	952,240
Remeasurement gain recognised in other comprehensive income	22	-	-	(6,969,000)	(6,969,000)
Movement on deferred tax relating to pension schemes	15	-	-	1,260,400	1,260,400
Total comprehensive income		**15,000**	**14,985,000**	**13,359,312**	**28,359,312**
Dividends		-	-	(1,000,000)	(1,000,000)
As at 31st December 2020		**15,000**	**14,985,000**	**12,359,312**	**27,359,312**

The notes on pages 40 to 69 form part of these financial statements.

I. CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2021

Group	Note	2021 £	2020 £
Cash flows from operating activities:			
Group operating profit		1,374,855	1,643,978
Depreciation and amortisation charges		6,197,902	6,377,579
Difference of pension charge and cash contributions		(134,684)	(667,000)
Foreign exchange difference		(26,601)	(8,138)
Decrease in stocks	14	97,025	95,721
Decrease in debtors		244,088	906,754
(Increase) / Decrease in creditors		(2,277,427)	226,066
Increase in other provisions for liabilities and charges		96,865	-
Interest paid		(286,940)	(321,482)
Finance costs (financial component of pension charges)		(308,000)	(273,000)
Corporation tax paid		(70,258)	(825,032)
Net cash flows used in operating activities		**4,906,825**	**7,155,446**
Cash flows from investing activities:			
Interest received		2,054	2,545
Proceeds from sale of tangible fixed assets		-	14,147
Payments to acquire tangible & intangible fixed assets	11	(5,245,817)	(10,632,324)
Payments for subsequent upgrade of EIG cable capacity	13	(99,156)	-
Net cash flows used in investing activities		**(5,342,919)**	**(10,615,632)**
Cash flows from financing activities:			
Equity dividends paid	10	(1,000,000)	(1,000,000)
Proceeds from bank borrowings	21	1,000,000	4,185,033
Repayment of bank borrowings	21	-	(2,091,864)
Net cash flows used in financing activities		**-**	**1,093,169**
Net (decrease) in cash and cash equivalents		**(436,094)**	**(2,367,017)**
Cash and cash equivalents at the beginning of the year		2,978,700	5,345,717
Cash and cash equivalents at the end of the year		**2,542,606**	**2,978,700**

The notes on pages 40 to 69 form part of these financial statements.

J. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2021

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 3. 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 2021. 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 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 had secured a new loan facility with a bank of up to £10 million which will help fund the investments for the next 3 years. In

September 2021, the £10 million loan headroom was increased to £13.6 million. 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.

In 2021, the Directors have also undertaken a review of the disruptions to the global supply chain and its consequences on the availability of key raw material such as silicon. Whilst the situation impacts our operations on a day-to-day basis and create elongated delivery times, there is no threat to the overall delivery of our business.

Furthermore, the business planning cycle which relies on timely monthly closings and monthly management reporting enables the management and the Directors to deliver a precise and accurate full year budget which is completed by monthly rolling forecasts, a review of the main variances vs. budget and year on year and, when necessary, in-depth reviews to understand the drivers of the main variances. The business planning process provides outputs for a cash flow statement which enable to monitor the liquidity and reforecast cash requirements.

The Directors have considered the impact of the Brexit negotiations in relation to Gibraltar on the 31st December 2021 consolidated financial statements.

The EU-UK Trade and Cooperation Agreement, which came into effect on 1st 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 relating to Gibraltar, 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.

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	3% - 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 on the face of the balance sheet. This investment is amortised 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 face of the balance sheet and amortised over the length of the agreement with the customers. Payments received as a result of one off sales of EIG capacity or materials will be recognised as up front revenue with the corresponding costs recognised as a cost of sales in the same accounting period. In the latter case, the EIG capacity or materials are specifically bought to be directly resold to a customer and might temporally transit through the balance sheet as a stock item.

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 the 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 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 believes 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	2021 £	2020 £
Consumer	10,027,899	10,189,809
Enterprise	17,397,662	20,330,678
Carrier	6,980,985	7,352,723
Lobster	4,212,520	2,454,065
Other	160,406	-
Total turnover	**38,779,472**	**40,327,275**

4. Staff costs

Group	2021 £	2020 £
Wages and salaries	8,965,590	9,121,873
Social security costs	508,650	516,621
Pension costs	2,562,751	2,220,318
Total staff costs	**12,036,991**	**11,858,812**

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 2021 were £2,550,000 (2020: £2,207,000). The difference to the figures reported in the table above reflects other pension charges/credits effected by Gibtelecom group, notably in Spain.

In 2021, the total pension cash contributions paid by Gibtelecom Ltd amounted to £3,023,000 (2020: £3,219,000). 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 £3,262,814 for 2021 (2020: £3,247,960). 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	
	2021 headcount	**2020 headcount**	**2021 headcount**	**2020 headcount**
Chief Executive Officer, Chief Operations Officer and Chief Financial Officer:				
Corporate & Regulatory; Finance; Human Resources; Building & Stores and Support staff	21	22	22	22
Consumer Directorate				
Customer Care and Business Development	26	22	26	26
Enterprise Directorate				
Business & Data Centre	9	10	10	10
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	91	86	90	90
Total headcount	**150**	**143**	**151**	**151**

6. Directors' emoluments

The Directors of Gibtelecom did not receive emoluments from the company for their services as Directors during the year (2020: £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	2021 £	2020 £
Included in operational charges are:		
Operating lease charges on rented properties	469,404	527,816
Foreign exchange loss	13,407	-
Audit fees	91,000	91,000
Audit-related assurance services	-	15,000
Taxation compliance services	8,230	7,450

8. Interest payable

Group	2021 £	2020 £
Operating lease charges on rented properties	286,940	321,482

9. Tax on profit on ordinary activities

9.1. Analysis of the charge for the year

Group	2021 £	2020 £
Current tax:		
Gibraltar corporation tax on profit for the year	(105,004)	(274,024)
Foreign tax for the year	(215,325)	(216,499)
Unilateral tax relief for the year	126,476	119,951
Over provisions from prior years	69,818	110,448
Total current tax (A)	**(124,035)**	**(260,124)**
Deferred tax:		
Deferred tax movement on capital allowances (see note 18)	(204,411)	(41,761)
Deferred tax movement on foreign operations	220,900	368,337
Total deferred tax (B)	**16,489**	**326,576**
Tax on profit on ordinary activities (A)+(B)	**(107,546)**	**66,452**
Total current and deferred tax movement relating to Other Comprehensive Income[(a)]	**(811,000)**	**1,260,400**

(a) The movement on current and deferred tax relating to other comprehensive income is solely due to the decrease in the deferred tax asset in respect of the pension lability as at 31st December 2021. The movement arises due to the decrease in the net defined benefit pension deficit.

9.2. Factors affecting the tax charge for the year

Group	2021 £	2020 £
Profit on ordinary activities before taxation	759,308	1,066,188
Corporation tax at 20%	151,862	213,238
Effect of:		
Permanent timing differences (i)	6	(6,352)
Pension cost contribution in excess of net pension cost charge (ii)	(135,000)	(133,400)
Other enhanced deductions	(12,496)	-
Capital allowances in excess of depreciation (iii)	(1,280,923)	63,086
Non-telecommunication activities (iv)	(79,160)	(167,629)
Availability of tax losses	1,504,287	366,097
Effect of tax on foreign subsidiaries	(43,572)	(61,016)
Corporation tax on profit for the year	**105,004**	**274,024**

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

Company	2021 Total £	2021 Pence per share	2020 Total £	2020 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	-	-	-	-
Total	**1,000,000**	**66.67**	**1,000,000**	**66.67**

On 7th December 2021 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 2021	**7,358,187**	**5,147,915**	**12,557,639**	**79,297,811**	**4,516,383**	**784,941**	**109,662,876**
Additions	1,093,057	-	4,656	3,868,070	272,399	7,635	**5,245,817**
Transferred on completion	(4,333,531)	-	1,922	4,331,609	-	-	**-**
At 31st December 2021	**4,117,713**	**5,147,915**	**12,564,217**	**87,497,490**	**4,788,782**	**792,576**	**114,908,693**
Accumulated depreciation:							
At 1st January 2021	**-**	**1,131,227**	**2,335,018**	**61,092,130**	**3,084,252**	**696,617**	**68,339,244**
Charge for the year	-	117,801	102,546	4,933,541	333,948	56,013	**5,543,849**
Disposals	-	-	-	-	-	-	**-**
At 31st December 2021	**-**	**1,249,028**	**2,437,564**	**66,025,671**	**3,418,200**	**752,630**	**73,883,093**
Net book value:							
At 31st December 2021	**4,117,713**	**3,898,887**	**10,126,653**	**21,471,819**	**1,370,582**	**39,946**	**41,025,600**
At 31st December 2020	**7,358,187**	**4,016,688**	**10,222,621**	**18,205,681**	**1,432,131**	**88,324**	**41,323,632**

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 2021	**7,354,130**	**5,147,915**	**12,557,639**	**76,550,014**	**4,516,383**	**784,941**	**106,911,022**
Additions	1,093,057	-	4,656	3,866,552	272,399	7,635	**5,244,299**
Transferred on completion	(4,329,474)	-	1,922	4,327,552	-	-	**-**
At 31st December 2021	**4,117,713**	**5,147,915**	**12,564,217**	**84,744,118**	**4,788,782**	**792,576**	**112,155,321**
Accumulated depreciation:							
At 1st January 2021	**-**	**1,131,227**	**2,335,018**	**59,830,080**	**3,084,252**	**696,617**	**67,077,194**
Charge for the year	-	117,801	102,546	4,555,318	333,948	56,013	**5,165,626**
Disposals	-	-	-	-	-	-	**-**
At 31st December 2021	**-**	**1,249,028**	**2,437,564**	**64,385,398**	**3,418,200**	**752,630**	**72,242,820**
Net book value:							
At 31st December 2021	**4,117,713**	**3,898,887**	**10,126,653**	**20,358,720**	**1,370,582**	**39,946**	**39,912,501**
At 31st December 2020	**7,354,130**	**4,016,688**	**10,222,621**	**16,719,934**	**1,432,131**	**88,324**	**39,833,828**

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 (2020: £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 2021:

Company	2021 £	2020 £
At 31st December	12,002	12,002

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	-
Rockolo Limited	Gibraltar	4,000 ordinary shares of £1 each	100%	Data centre (hosting) services	5,133,680	772,459
Zinnia Limited[(a)]	Gibraltar	4,000 ordinary shares of £1 each	100%	Holding company	20,297	12,417
Gibraltar Telecom (UK) Limited[(b)]	UK	1 ordinary shares of £1 each	100%	Consulting	3,096	3,821

(a) *Zinnia Limited wholly owns Zinnia Telecommunicaciones SL (Zinniatel), a Spanish registered company running a Mobile Virtual Network Operation in Spain. As at 31st December 2021, Zinniatel's shareholding comprised of €120,000 of ordinary share capital and €5,485,000 of preference shares.*

(b) *Gibraltar Telecom (UK) Limited wholly owns Rockolo Malaysia Sdn. Bhd. (Rockolo Malaysia), a Malaysia registered company providing data centre services in Malaysia. As at 31st December 2021, Rockolo Malaysia's shareholding comprised of RM10 of ordinary share capital.*

13. EIG submarine cable

In 2008, the company entered into an agreement with several other parties (the 'consortium') to construct a high capacity fibre-optic submarine cable system called the Europe India Gateway (EIG) spanning from the UK to India with a termination point in Gibraltar and several other locations. In 2015, 2017 and 2021 Gibtelecom increased its investment towards EIG by virtue of upgrades 1, 3 and 5 respectively, thus bringing its total investment to £20,579,356 (2020: £20,480,200). During 2021 the company has committed to upgrade 5 and made a partial payment of £99,156 towards this upgrade, entitling the company to a total of circa 4% of the EIG's total capacity. As at 31st December 2021, the total capacity expressed in MIUs (Minimum Investment Units) reaches 7.2 MIUs vs. 1.2 MIUs initially invested in 2008.

The company determines how it uses its EIG cable capacity but does not control the end-to-end physical access or 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 1st June 2012. Until 31st December 2020 the cable was amortised assuming a useful life of 13.75 years from June 2012 until March 2026 which corresponded to the initial estimated lifetime of the cable of 15 years from the estimated year of commission of 2010.

Given the upgrade 5 performed in 2021 and the impending upgrade 5.2 in 2022, it is now clear that the cable lifetime will be extended beyond the initial 15 years. Since most of the resale contract of the EIG capacities are signed for a period of 10 years, the Management consider appropriate to extend the useful life to 31st December 2032 and has thus booked the change in amortisation pattern prospectively. The new useful life is therefore 20.5 years from June 2012.

Group and Company	2021 £	2020 £
At 1st January	7,848,541	9,367,621
Additions	99,156	-
Charged to the profit and loss account	(654,053)	(1,519,080)
At 31st December	**7,293,644**	**7,848,541**

Although the EIG cable is being amortised over a period of 20.5 years, the prepayment is split in the balance sheet between fixed assets and current assets as set out below.

Group and Company	2021 £	2020 £
Fixed assets	6,639,591	6,329,461
Current assets	654,053	1,519,080
Total	**7,293,644**	**7,848,541**

14. Stocks

Group and Company	2021 £	2020 £
Goods for resale or consumption	996,816	1,093,841

15. Debtors

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
Amounts falling due within one year:				
Trade debtors	4,314,673	5,101,858	10,558,098	9,338,876
Other debtors and prepayments	2,337,266	1,901,419	7,623,357	6,388,433
Deferred tax asset on foreign operations	1,298,500	1,148,369	-	-
Corporation tax receivable	1,674,890	1,567,350	1,674,890	1,631,869
Deferred tax asset on pension liability	2,973,000	3,784,000	2,973,000	3,784,000
EIG submarine cable	654,053	1,519,080	654,053	1,519,080
Total due within one year	**13,252,382**	**15,022,076**	**23,483,398**	**22,662,258**

	2021 £	2020 £	2021 £	2020 £
Amounts falling due after one year [a]:				
Prepaid capacity use of SMW4 cable	685,400	835,821	685,400	835,821
Security deposits	48,030	48,030	48,030	48,030
Total due after one year	**733,430**	**883,851**	**733,430**	**883,851**
Total debtors	**13,985,812**	**15,905,927**	**24,216,828**	**23,546,109**

(a) Excluding the EIG cable

	2021 £	2020 £	2021 £	2020 £
Deferred tax asset on pension liability:				
At 1st January	3,784,000	2,523,600	3,784,000	2,523,600
Charged to other comprehensive income	(811,000)	1,260,400	(811,000)	1,260,400
At 31st December	**2,973,000**	**3,784,000**	**2,973,000**	**3,784,000**

16. Creditors: amounts falling due within one year

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Trade creditors	3,655,627	3,792,963	3,734,290	4,315,005
Amounts due to subsidiaries [(a)]	-	-	12,002	12,000
Bank borrowings	-	3,600,000	-	3,600,000
Other creditors	8,992	38,338	10,850	38,336
PAYE and social insurance	186,169	4,343	180,713	(753)
Corporation tax	(45,144)	48,087	-	-
Accruals and deferred income	4,252,888	6,112,279	13,208,276	11,846,607
Total	**8,058,532**	**13,596,010**	**17,146,131**	**19,811,195**

(a) Unpaid share capital

16.1. Bank borrowings

Gibtelecom has one loan facility in place, (known as RCF) and as at 31st December 2021 the total balance due after one year is £8,785,033 (2020: £4,185,033) (note 17).

A revolving credit facility (RCF) was signed between Gibtelecom and Royal Bank of Scotland Int (RBSI) in July 2021 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. This RCF was increased in September 2021 by a further £3.6 million, making a total of £13.6 million. This extra amount was used to repay the existing Haven loan of exactly that amount, £3.6 million. 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 2021 is £8,785,033.

16.2. Haven building

Gibtelecom purchased the leasehold Haven building in John Mackintosh Square from HM Government of Gibraltar in January 2014. The building is classified as held for sale in 2021 and was sold in July 2022. This loan was repaid in full in September 2021 from funds drawn down from the RCF. The proceeds of the sale of the Haven building will be used to partly repay the RCF.

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

17.1. Breakdown by nature

Group and Company	2021 £	2020 £
Bank borrowings:		
Revolving Credit Facility	8,785,033	4,185,033
Accruals and deferred income:		
EIG onward sale of capacity deferred revenue	1,517,326	1,927,532
Total	**10,302,359**	**6,112,565**

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 2021 was as follows:

Group and Company	2021 £	2020 £
In more than one year but not more than two years	-	-
In more than two years but not more than five years	8,785,033	4,185,033
In more than five years	-	-
Total	**8,785,033**	**4,185,033**

18. Provisions for liabilities

18.1. Breakdown by nature

Group	Deferred tax liability £	Net defined benefits pension deficit £	Total £
At 1st January 2021	**(777,384)**	**(18,920,000)**	**(19,697,384)**
Payments made during the year	-	-	-
Charged to the profit and loss account	(204,411)	4,054,684	3,850,273
At 31st December 2021	**(981,795)**	**(14,865,316)**	**(15,847,111)**

Company	Deferred tax liability £	Net defined benefits pension deficit £	Total £
At 1st January 2021	**(768,105)**	**(18,920,000)**	**(19,688,105)**
Payments made during the year	-	-	-
Charged to the profit and loss account	(164,173)	4,054,684	3,890,511
At 31st December 2021	**(932,278)**	**(14,865,316)**	**(15,797,594)**

18.2. Deferred tax provision

Group	2021 £	2020 £
At 1st January	(860,906)	(819,145)
Charged to the profit and loss account	(204,411)	(41,761)
At 31st December	**(1,065,317)**	**(860,906)**

The deferred tax liability is broken down as follows:

Company	2021 £	2020 £
Accelerated capital allowances	(1,065,317)	(860,906)

19. Called up share capital and reserves

Group and Company	2021 £	2020 £
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	2021 £	2020 £
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 2020	2,978,700	(7,785,033)	(4,806,333)
Cash movement	(436,094)	(1,000,000)	(1,436,094)
At 31st December 2021	**2,542,606**	**(8,785,033)**	**(6,242,427)**

Company	Bank balances £	Less bank loans £	Total Net debt £
At 31st December 2020	2,155,936	(7,785,033)	(5,629,097)
Cash movement	(640,910)	(1,000,000)	(1,640,910)
At 31st December 2021	**1,515,026**	**(8,785,033)**	**(7,270,007)**

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

Group	2021 £	2020 £
Net debt as at 1st January	(4,806,333)	(346,147)
Movement in cash	(436,094)	(2,367,017)
Proceeds from bank borrowings	(1,000,000)	(4,185,033)
Repayment of bank borrowing	-	2,091,864
Net debt as at 31st December	**(6,242,427)**	**(4,806,333)**

Company	2021 £	2020 £
Net debt as at 1st January	(5,629,097)	(1,099,002)
Movement in cash	(640,910)	(2,436,926)
Proceeds from bank borrowings	(1,000,000)	(4,185,033)
Repayment of bank borrowing	-	2,091,864
Net debt as at 31st December	**(7,270,007)**	**(5,629,097)**

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 between 2002 and 2016. 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 2021 were completed in February 2022 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 2021.

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 2021 amounted to £1,883,000 (2020: £2,099,000). 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 2021 (2020: £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 2021 amounted to £1,140,000 (2020: £1,120,000). These contributions also include an additional annual contribution made during the year of £740,880 (2020: £705,600) which covers past service liabilities. There were no exceptional pensions payments effected in respect of voluntary separations in 2021 (2020: £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 2021 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 2020 and 2021, the Directors have set the major assumptions as set out below, based on reviews and recommendations made by actuaries:

Group and Company	2021	2020
Rate of increase in salaries	2.8%	2.0%
Rate of increase in pensions payment	3.0%	3.0%
Discount rate	1.9%	1.5%
Inflation	2.8%	2.0%

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

Group and Company	2021	2020
Male aged 60 now	26.5 years	26.5 years
Male aged 45 now, from 60	27.6 years	27.6 years
Female aged 60 now	29.2 years	29.1 years
Female aged 45 now, from 60	30.2 years	30.2 years

22.6. GNC Scheme

(i) Analysis of the scheme assets:

GNC scheme	2021 £	2020 £
Pension contracts	51,480,000	55,795,000
Market value of assets	**51,480,000**	**55,795,000**
Present value of liabilities	(56,655,000)	(61,315,000)
Net pension asset / (liability)	**(5,175,000)**	**(5,520,000)**

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	2021 £	2020 £
Current service cost	(1,980,000)	(1,747,000)
Administration costs	(10,000)	(22,000)

(iii) Analysis of amounts charged to finance costs:

GNC scheme	2021 £	2020 £
Net interest on net defined benefit liability	(98,000)	(53,000)

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

GNC scheme	2021 £	2020 £
Actuarial gain / (loss) arising during the year	6,157,000	(7,457,000)
Return on plan assets (greater) / less than discount rate	(5,607,000)	3,458,000
Actuarial gain / (loss) recognised in consolidated statement of comprehensive income	**550,000**	**(3,999,000)**

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

GNC scheme	2021 £	2020 £
Present value of defined benefit obligations	(56,655,000)	(61,315,000)
Fair value of scheme assets	51,480,000	55,795,000

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

GNC scheme	2021 £	2020 £
At 1st January	**(61,315,000)**	**(53,444,000)**
Current service cost	(1,980,000)	(1,747,000)
Interest costs	(944,000)	(1,153,000)
Actuarial gain / (loss)	6,157,000	(7,457,000)
Benefits paid	1,427,000	2,486,000
At 31st December	**(56,655,000)**	**(61,315,000)**

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

GNC scheme	2021 £	2020 £
At 1st January	**55,795,000**	**51,646,000**
Total return on plan assets	(4,761,000)	4,558,000
Employer contributions	1,883,000	2,099,000
Benefits paid	(1,427,000)	(2,486,000)
Administrative costs paid	(10,000)	(22,000)
At 31st December	**51,480,000**	**55,795,000**

22.7. Gibtel scheme

(i) Analysis of the scheme assets:

Gibtel scheme	2021 £	2020 £
Equities	11,533,800	10,274,200
Debt securities	8,834,400	7,869,600
Cash and other assets	4,171,800	3,716,200
Market value of assets	**24,540,000**	**21,860,000**
Present value of liabilities	(34,230,000)	(35,260,000)
Net pension asset / (liability)	**(9,690,000)**	**(13,400,000)**

(ii) Analysis of amounts charged to operating profit:

Gibtel scheme	2021 £	2020 £
Current service cost	(570,000)	(460,000)
Administration costs	(20,000)	(50,000)

(iii) Analysis of amounts charged to finance costs:

Gibtel scheme	2021 £	2020 £
Net interest on net defined benefit liability	(210,000)	(220,000)

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

Gibtel scheme	2021 £	2020 £
Actuarial gain / (loss) arising during the year	1,410,000	(3,850,000)
Return on plan assets less than discount rate	1,960,000	880,000
Actuarial gain / (loss) recognised in consolidated statement of comprehensive income	**3,370,000**	**(2,970,000)**

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

Gibtel scheme	2021 £	2020 £
Present value of defined benefit obligations	(34,230,000)	(35,260,000)
Fair value of scheme assets	24,540,000	21,860,000

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

Gibtel scheme	2021 £	2020 £
At 1st January	**(35,260,000)**	**(30,990,000)**
Current service cost	(570,000)	(460,000)
Interest costs	(540,000)	(650,000)
Actuarial gain / (loss)	1,410,000	(3,850,000)
Benefits paid	800,000	770,000
Participants' contributions	(70,000)	(80,000)
At 31st December	**(34,230,000)**	**(35,260,000)**

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

Gibtel scheme	2021 £	2020 £
At 1st January	**21,860,000**	**20,170,000**
Total return on plan assets	2,290,000	1,310,000
Employer contributions	1,140,000	1,120,000
Benefits paid	(800,000)	(770,000)
Administrative costs paid	(20,000)	(50,000)
Participants' contributions	70,000	80,000
At 31st December	**24,540,000**	**21,860,000**

22.8. Both schemes

(i) Analysis of the schemes assets:

Both schemes	2021 £	2020 £
Pension contracts	51,480,000	55,795,000
Equities	11,533,800	10,274,200
Debt securities	8,834,400	7,869,600
Cash and other assets	4,171,800	3,716,200
Market value of assets	**76,020,000**	**77,655,000**
Present value of liabilities	(90,885,000)	(96,575,000)
Net pension asset / (liability)	(14,865,000)	**(18,920,000)**

(ii) Analysis of amounts charged to operating profit:

Both schemes	2021 £	2020 £
Current service cost	(2,550,000)	(2,207,000)
Administration costs	(30,000)	(72,000)

(iii) Analysis of amounts charged to finance costs:

Both schemes	2021 £	2020 £
Net interest on net defined benefit liability	(308,000)	(273,000)

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

Both schemes	2021 £	2020 £
Actuarial gain / (loss) arising during the year	7,567,000	(11,307,000)
Return on plan assets less than discount rate	(3,647,000)	4,338,000
Actuarial gain / (loss) recognised in consolidated statement of comprehensive income	**3,920,000**	**(6,969,000)**

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

Both schemes	2021 £	2020 £
Present value of defined benefit obligations	(90,885,000)	(96,575,000)
Fair value of schemes assets	76,020,000	77,655,000

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

Both schemes	2021 £	2020 £
At 1st January	(96,575,000)	**(84,434,000)**
Current service cost	(2,550,000)	(2,207,000)
Interest costs	(1,484,000)	(1,803,000)
Actuarial gain / (loss)	7,567,000	(11,307,000)
Benefits paid	2,227,000	3,256,000
Participants' contributions	(70,000)	(80,000)
At 31st December	(90,885,000)	**(96,575,000)**

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

Both schemes	2021 £	2020 £
At 1st January	77,655,000	**71,816,000**
Total return on plan assets	(2,471,000)	5,868,000
Employer contributions	3,023,000	3,219,000
Benefits paid	(2,227,000)	(3,256,000)
Administrative costs paid	(30,000)	(72,000)
Participants' contributions	70,000	80,000
At 31st December	76,020,000	**77,655,000**

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 2021, the group had ongoing commitments for capital expenditure of £4,973,200 (2020: £2,174,200) and the company had ongoing commitments for capital expenditure of £4,973,200 (2020: £2,174,200).

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

25. Financial commitments

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

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
Due within one year	454,500	464,500	293,200	293,200
Due between one and five years	680,000	680,000	-	-
Due later than five years	-	-	-	-
Total	**1,134,500**	**1,144,500**	**293,200**	**293,200**

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 sale of the Haven Building in July 2022, there were no subsequent events noted.

End

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