

Gibtelecom

CONSOLIDATED ANNUAL REPORT

31st DECEMBER 2022

Company registration number: 37905

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A. DIRECTORS AND OTHER INFORMATION

Directors: Fabian Picardo Chairman
Noel Burrows Chief Executive Officer
Sir Joe Bossano
Albert Mena
Charles Santos (appointed 18th October 2022)

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

Secretaries: Dwayne Lara
15/21 John Mackintosh Square
GX11 1AA Gibraltar

Louise Barbara
15/21 John Mackintosh Square
GX11 1AA Gibraltar

Auditor: EY Limited
Regal House
Queensway
GX11 1AA Gibraltar

B. DIRECTORS' REPORT

1. Our CEO Report

Gibtelecom has the right strategy to deliver its mission: we build connections that really matter in Gibraltar and beyond to make life better. We continue to invest in Gibraltar's digital infrastructure, to connect people and generate growth, productivity, and innovation, despite the challenging economic backdrop. We're building leading next generation fixed broadband and mobile networks and digitalising the way we operate.

Our daily activities are driven by our values, Bold, Simplicity and Trust with the continuing focus of putting the customer at the heart of everything we do.

Building and connecting Gibraltar

The business is now more than 95% of the way through the initial 21k premises passed target. Gibtelecom has now built full fibre broadband to a total of 8k homes and businesses across Gibraltar.

We are also continuing to grow Gibtelecom's 5G mobile network which now covers 95% of Gibraltar. Since launching, we have grown our 5G connections to over 10k customers.

Gibtelecom's next generation networks will deliver an economic dividend for our customers and the Gibraltar economy for many decades to come.

Our Business Model

We serve a wide variety of customers. They range from individuals, families and businesses to the Gibraltar public sector and global companies. To earn revenue, we design, build, market, sell and support network access, connectivity, and related solutions to our customers.

Our product and service offerings are tailored to suit customer segments to help us deliver on the specific needs of our customers.

Consumer

We help people to communicate, study, work, learn, play, and be entertained. We sell a range of broadband, mobile and landline services, along with home solutions to individuals and households. On top of that, we offer TV. These allow our customers to connect, work and be entertained safely at home and on the go. Most of our consumer customers have 12-month contracts for mobile or broadband access.

Enterprise

We help businesses with connectivity solutions to help them run, transform, and grow. Enterprise serves small, medium, and large corporate businesses, the public sector, and HM Government of Gibraltar. We also wholesale some network solutions to other communication providers.

Carrier

We help businesses provide communications services to organisations spread over large geographic areas and distribute massive quantities of data over great distances.

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

Transforming our Business

Modernising Gibraltar's digital infrastructure isn't only about building new networks; it also requires us to migrate customers off our nearly obsolete and energy-hungry legacy networks. In 2024 we will be ramping up activity to smoothly migrate customers onto newer technology. We'll automate, digitise,

and shut down legacy systems, processes and networks.

Standing by our customers

Our role is about more than just building new networks; we also have a duty to provide access and opportunity for customers. We've stood by our customers during the worst cost of living crisis in a generation, offering terrific value for money for customers who rely on our services today more than ever. Supporting our customers has been an overriding priority.

Looking forward

Our progress during the year was made possible by the support of our Shareholders and I would like to thank them for their ongoing commitment.

Gibtelecom has the right strategy to deliver its mission. Everything we do starts and ends with our customers; our success is built on enabling theirs. We know there's a long way to go but our performance in 2023 shows that we have the right plan, the right team, and the determination to achieve it.

2. Scope of this report

The Directors present their report, business review and the audited financial statements for the year ended 31st December 2022 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 (PoPs) and interconnection points in Europe, Africa, Middle East and Asia.

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

Gibtelecom is addressing the Consumer and the Enterprise segments through a backbone of services, products and infrastructures which are orchestrated by our agile and dedicated people who are at the heart of Gibtelecom’s success.

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 owned by the Government of Gibraltar and operates as an independent company.

In 2016, the subsidiary Rockolo Limited, was established to handle the company’s data centre business 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 a Mobile Virtual Network Operator (MVNO) 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.

All other subsidiaries of the group are duly authorised and abide to local regulations in place in their respective jurisdictions.

5. Regulatory regime

Gibtelecom is authorised to operate in Gibraltar under the Gibraltar Communications Act 2006 as amended at the end of 2020 with changes introduced to transpose the EU's latest European Electronic Communications Code (EECC) legislative package. This new law introduced a number of changes, including notably evolutions to the General Conditions which apply to authorised operators, as well as requirements placed on regulators to carry out geographical surveys of broadband reach in each jurisdiction.

During 2022, the Gibraltar Regulatory Authority (GRA) issued Public Consultations on Retail Fixed Markets as well as on Wholesale Infrastructure & Broadband Access Markets. Their resulting Decision Notices, following submissions from Gibtelecom and others, removed all Significant Market Power (SMP) designations on Gibtelecom in each of these markets. A further GRA Public Consultation and consequent Decision Notice on Accounting Obligations also removed the requirement on Gibtelecom to produce Accounting Separation Reports (ASRs). The company now only has SMP status, as designated by the GRA, on the Wholesale Leased Lines market, with its designation as Gibraltar's sole Universal Service Obligations (USO) Provider, providing a baseline level of services to end-customers, running at least until late 2024.

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

Consumer revenues grew year-on-year by 3% to £10.3 million (2021: £10.0 million) despite the aggressive local competition. The post Covid-19 and the post Brexit environment has broadly led to rising costs of living for households which has exacerbated the competition and value erosion in the telecom market.

Mobile services

	2022	2021
Pay as you go customers	15,003	17,249
Pay monthly customers	12,451	11,205
No Contract customers	3,359	2,143
Blended ARPU ^(a)	£16.8	£15.6

(a) Monthly Average Revenue Per User

The number of customers entrusting Gibtelecom for their mobile needs has broadly increased year-on-year by over 200 to circa 30,800 at the end of 2022. Beyond the increase in number, it is worth mentioning that more and more customers are switching to our pay monthly products, a testimony to the customer's loyalty and longevity.

Our new No Contract product launched in 2021 has also proven very popular and the customer base stands now at over 3,300 customers on this product. The customers enjoy the simplicity and value for money of No Contract whilst Gibtelecom is eager to create an alternative to the traditional pay as you go products.

Mobile revenues rose by 8% in 2022 driven by the customer base increase and several key initiatives, notably:

- In July, a free data increase across all new pay monthly plans.

- In September, a free data increase for No Contract customers.
- Across the year, attractive campaigns to promote bundled triple play and quad play offerings (cf. "Bundled Services") which have further stimulated the migration from Pay As You Go to Pay Monthly, No Contract and bundled offerings.
- On-going campaigns to get customers onto 5G devices and 5G SIM cards, offering a better customer experience overall, faster downloads, clearer voice calls and strong coverage and network availability.

However, the shift towards web-based messaging and calling tools such as WhatsApp, Messenger and Instagram is still on-going, despite the lesser quality of calls compared to 4G or 5G. This trend leads to increased usage of the data network and less usage of the traditional voice network.



Broadband services and IPTV

(Fibre or copper)	2022	2021
Number of customers	5,682	5,766
Market share ^(a)	30%	33%

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

The residential broadband market continues to be extremely competitive. There are two alternative providers in the market, Gibfibre and U-mee who bundle broadband with Voice over IP and TV. Their TV offerings include a wide range of unlicensed, pirated linear channels, including premium sports and Hollywood content. Piracy continues to be one of the prime reasons for customers deciding to disconnect from Gibtelecom.

As a result of the pirated TV offering, our competitor Gibfibre is now estimated to have 45% market share, with Gibtelecom yielding 30% of a growing market and U-mee at 25%. Gibtelecom had circa 5,700 consumer broadband subscribers as at the end of 2022, of which 1,800 were on a standalone product, and the majority on a bundled package.

Gibtelecom continues to enhance its TV offering, competing better in this space and helping with customer retention. Gibtelecom TV now includes circa 170 linear channels and popular on-demand contents from Rakuten, Amazon Prime Video and YouTube. In July, a new User Interface (UI) was launched across customers’ Set Top Boxes and the mobile app, offering a better customer experience and modern viewing experience. TV continues to be a relevant retention tool for loyal customers, with the company offering a true one-stop-shop and improving the overall customer proposition. Most TV customers are on a bundled plan, although a standalone offering, as well as a Lite version, continues to be available.

Gibtelecom made good progress with its ‘fibre to the home’ roll-out plan throughout the year with

circa 2,400 customers now enjoying speeds of over 100Mbps, at either 1Gb, 500Mb or 300Mb. They represent about 40% of the consumer broadband base. The number of homes passed is expected to reach 100% during the course of 2023.

In October 2022 Gibtelecom introduced gaming consoles to its product portfolio, allowing customers to purchase the latest PlayStation or Xbox consoles via monthly instalments when locked in to a 2-year broadband contract, making it an additional retention tool.

In December 2022, Smart Home Security services were launched as a monthly add-on for broadband customers, giving customers the opportunity to sign up for fire, leak and intrusion protection on a 2 year contract term.

Bundled services

	2022	2021
Triple play customers	3,986	3,571

The revenue derived from bundled services rose by 9% in 2022, on account of a large marketing drive, along with the introduction of new bundled plans.

Three new types of bundles were introduced during 2022:

- The traditional Gibtelecom's bundle with mobile, broadband and TV was relaunched as the Triple Play bundle (it was previously known as the Monster Bundle).
- In June, a new Triple Play with fixed line, broadband and TV was launched, with prices starting at £35 per month, competing directly with competitors' offerings with an attractive price point.
- In November, the All-In-One bundles were launched, marking the company's first quad play service combining mobile, fixed line, broadband and TV from just £65 per month. This is the only quad play offering in Gibraltar and it offers a very good value for money.

Several promotional initiatives were launched during the year. For instance, in February a 'Bundles of Love' Valentine's Day campaign gave 2 months free to new customers; on Black Friday in November a free 1 month offer was proposed to new customers, coupled with a half price until 1st April 2023.

Fixed line services

	2022	2021
Number of customers	7,002	7,425

Over 400 net landline disconnections occurred during the year as consumers increasingly rely on mobiles (with large plan allowances and free Over The Top - OTT apps) in lieu of fixed line telephony. As a consequence, fixed line revenues declined year-on-year. The number of disconnections has improved compared to previous years (circa 700 in 2021) which is driven notably by a much improved value proposition made by Gibtelecom.

In 2022, Gibtelecom continued its harmonisation and simplification of the international call rates with notably the consolidation of bands A & B into a single band which now includes notably UK, EEA, USA, Canada. Some destinations included in our international call service "884" have also been removed and added directly to either band A or B in order to simplify the customer experience in the domain of international calls.

7. Enterprise vertical

Enterprise revenues remained flat year-on-year at £17.4 million (2021: £17.4 million). The year was marked by an evolution to new business models as a reaction to Brexit, the downsizing of some eGaming operators' infrastructure in Gibraltar and the overall market trends in Business To Business (B2B) connectivity.

In this context, in continuity with 2021, the year 2022 was filled with the elaboration and the launch of our new set of products, notably:

- Our Enterprise Fibre Broadband (EFB) which offers very high speed broadband to companies, large and small, bundled with our overlay of managed services which are continuously enriched following the customers' demands.
- Our Hosted Private Branch Exchange (HPBX) which is a full IP phone system designed for businesses that want all the upside of their own in-house telephone system, without any of the downsides of owning and operating one. The product also offers direct integration with mobile phones. Since no physical hardware needs to be installed, it is very versatile and easy to install from the customer's point of view.
- Our international data centres and global network PoP which enable smooth interconnection worldwide, guaranteed Service Level Agreements (SLAs), large bandwidth and very low latency. The integrated service offered by Gibtelecom enables B2Bs to concentrate on their own businesses whilst we concentrate on their connectivity and networking needs.
- Our wide range of cloud portfolio products with private cloud, public cloud, hybrid cloud or cloud connect which adapts to the business needs and is a flexible solution, ideally a complement to a physical server solution.
- Our Session Initiation Protocol (SIP) trunk solution which replaces the traditional analogue lines, enabling to quickly and cost effectively add capacity when required. Gibtelecom's SIP service is a fully converged solution over IP, with

calls made over a dedicated private circuit using the customers' existing EFB or fibre connection, rather than a phone line.

All product lines continue to see competition from both local and international providers mainly from the managed services space as customers turn to suppliers who are able to offer a comprehensive business solution 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 from the gaming community continue to be the biggest threat for our business as customers may move their technology, previously based in Gibraltar, to hyperscale service providers such as Amazon, Microsoft and Google.

Mobile Services

	2022	2021
Pay monthly customers	5,895	5,695
Blended ARPU ^(a)	£41.8	£41.2

(a) Monthly Average Revenue Per User

Our B2B mobile customer base has grown to circa 5,900 customers, driven by the launch of our new pay monthly plans which include an increase in data allowance.

We continue to promote mobile as a complement to our fixed line set of products as 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.

Broadband Services

(Fibre or copper)	2022	2021
Number of customers	2,495	2,467
Market share ^(a)	n/c	81%

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

Our B2B Broadband customer base has remained stable year-on-year but our overall revenue has grown by 6% compared to 2021 driven notably by the popularity of our EFB product and despite the increased competition seen on the B2B market in Gibraltar.

The EFB is a direct offspring of our point-to-point Fibre To The Home (FTTH) network deployment strategy which enable very high speed and qualitative broadband, soon on all the territory of Gibraltar. As we move towards ubiquitous FTTH coverage in Gibraltar, more business customers are making the move from legacy copper-based infrastructure products to fibre-based services. This move avails an enriched and simpler customer experience as we can bundle our EFB with our wide range of managed services products, offering different SLAs, different layers of value-added services and round the clock monitoring.

Supercharge your business
with enterprise fibre broadband

50Mbps
£70 a month
10 x 5 on-site support
24hr fault repair time

100Mbps
£150 a month
10 x 5 on-site support
8hr fault repair time

250Mbps
£350 a month
12 x 6 on-site support
6hr fault repair time

500Mbps
£550 a month
12 x 7 on-site support
4hr fault repair time

1Gbps
£750 a month
12 x 7 on-site support
4hr fault repair time

From only £70 a month

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24/7 monitoring and industry leading SLAs.

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Fixed line services

	2022	2021
Number of customers	1,806	1,841

The B2B fixed line customers count has reduced year-on-year which drove the revenue down on this line of product. As a global trend, usage of fixed line telephony is declining, however our strategy to replace the old telephony by more modern products such as the hosted PBX or SIP trunk should pay off over time as we are replacing the monolithic legacy fixed line services with more modern products enabling IP integration and connectivity with a more modern suite of telephony products. The push to an all-IP fibre infrastructure and the belated “softwarisation” of telephony allows to meet customers’ demand in a more flexible way at cheaper costs and coupled with a wide range of value-added services.

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 but the usage decline will be gradually offset by the take up of new nature of products.

In the context of an ever increasing risk of cybercrime, data leakage and cyber security risk, the new Hosted PBX offers 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. The layer of cyber security is becoming an essential component of modern telephony and Gibtelecom is making significant progress in this domain.

Smarter phone systems for your business

Cloud PBX

From only **£14.50** per user per month

To be your best, choose the best.

- Cloud-based, scalable & cost-effective, with Cisco handsets included
- Call centres, auto-attendants and mobile integration available
- Dedicated account manager and 24/7 technical assistance

Best for Business Gibtelecom

Gibtelecom Business

Streamline your business with our SIP Trunks

SIP Trunk

From only **£30** per month

To be your best, choose the best.

- Scalable, future-proof and flexible without compromising on quality
- Converged voice and data over a single connection
- Dedicated account manager and 24/7 technical assistance

Best for Business Gibtelecom

Gibtelecom Business

Managed Data Centre Services

Our data centre services revenue has grown year-on-year as businesses recover from a slowdown induced notably by Covid-19.

This part of the enterprise vertical is comprised of two main areas: the physical data centre hosting services known as co-location and the managed data centre services comprised of cloud and other managed IT services. They both offer different but complementary natures of data hosting and infrastructures.

Gibtelecom offers a wide range of infrastructure co-location hosting solutions and our data centres are connected globally to over 25 PoPs in Europe, Africa, Middle East and Asia via our Private Global Network. This allows B2Bs to connect co-location platforms to other infrastructure services whether this is public, private or one of the global hyper-scale providers.

Gibtelecom is also proposing private cloud services which provide a dedicated and secure virtual environment. Coupled with the fastest internet links available, whether in Gibraltar, London or Malaysia, and managed by our experts, leaving customers to concentrate on their core business. Gibtelecom's Infrastructure-as-a-Service (IaaS) cloud platform takes care of your mission critical computers deployments in Gibraltar. Located in premier tier-3 designed data centres ensuring maximum uptime, security and reliability.

Public cloud solutions have high elasticity and scalability to address the growing needs of any size of organisation whilst offering a high level of security.

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.

One of our competitive advantages resides in the data sovereignty, namely a guarantee that the data processing and servicing is based in Gibraltar.

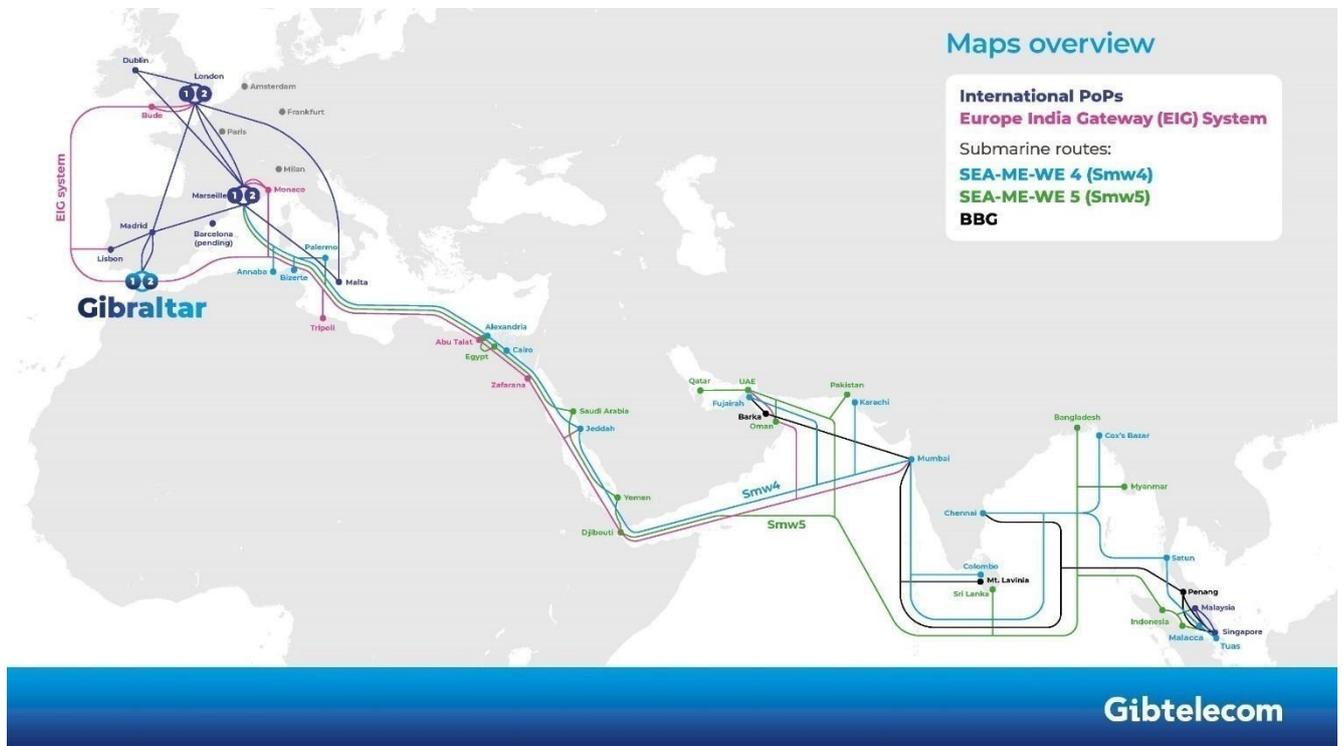


The advertisement features a blue background with a white clover logo in the top right corner. In the top left, there is a graphic of playing cards (Ace of Spades, King of Hearts, Queen of Diamonds) with a cloud icon. The main headline reads "Place your infrastructure in safe hands" in large white font. Below this, three circular icons represent "Cloud Solutions" (a cloud), "Co-Location" (a server rack), and "Global Private Network" (a globe with network lines). The text "Gibraltar - Dublin - London" and "Isle of Man - Malta - Malaysia" is displayed below the icons. In the bottom left, there is a QR code and contact information: "Tel: (+350) 200 52200 / sales@gibtele.com" and "www.gibtele.com/business". The Gibtelecom Business logo is in the bottom right corner.

Network Services

Network services are comprised of three areas of service: National circuits, International Circuits and Flexiband our premium broadband product designed specifically for customers requiring the utmost levels of uptime towards the internet.

2022 saw a continued steady migration from legacy technologies such as Synchronous Digital Hierarchy (SDH) to newer Ethernet based technologies. These newer services now vastly outweigh the legacy products in terms of revenue generated.



8. Carriers vertical

In 2022, 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 and its renewed international traffic agreements with 101 EU roaming partners and notably with the Vodafone group and Telefonica group.

The activity in the Carriers vertical has been buoyant in 2022 with increased revenues and increase in traffic, inbound, outbound and on international transit.

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 Indefeasible

Rights of use (IRU) owned in other submarine cable systems. It enables Gibtelecom 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 in the Sea-Me-We 4, Sea-Me-We 5 and BBG submarine cables.

Gibtelecom continues to use its long-term carrier partners for incoming and outgoing voice calls to and from Gibraltar. Voice revenue was expected to recover to pre-Covid-19 levels in 2022. However, that has not happened and revenue from incoming voice calls dropped by circa 7% from 2021. This trend is notably driven by the uptake of OTT calling platforms and instant messaging which continue to impact the industry call volumes.

Network Development

Connectivity between our PoPs in Madrid, London, Marseille and Gibraltar have been upgraded to a 100g wavelength and 100g protected wavelength. In Marseille, 100g card interface have been installed. These upgrades have resulted in costs savings and provide a larger 100g interfaces for delivering connectivity to our wholesale customers.

Gibtelecom also signed a contract with Telehouse in London for a second PoP in London which is expected to go live in July 2023. This continues to reflect the resilience and diversity of our core European network in avoiding single points of failure and provide our customers, both Enterprise and Carrier, a better experience with enhanced latency and SLAs.

The EIG upgrade 5 “Ready for Service” scheduled in Q4 2022 was delayed to Q2 2023 due to the worldwide delays and shortage of microchips in a post Covid-19 economic environment. The upgrade will enhance our global network and ensure state of the art connectivity on EIG.

Gibtelecom signed agreements with MEO Portugal for joint network solutions on EIG between Lisbon and Marseille. The first set of customers were successfully on-boarded and, following the launch of the Singapore PoP in 2021, the first carrier customers were successfully connected between Singapore and London on Gibtelecom’s core network.



Figure 2: Gibtelecom European backbone

Gibtelecom has built connectivity from Malta, from Malaysia to Singapore and from Ireland including new IP transit and Distributed Denial-of-Service (DDOS) protection 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.

Roaming

The EU Regulated Rates dropped twice in 2022 increasing the difficulty in maintaining revenues. Whilst being outside of the EU, these rates set a benchmark in roaming rates. Despite the lower rates, we have seen an increase in inbound revenue in 2022, primarily due to favourable commercial negotiations with our top carrier partners.

Challenges remain as a result of our non-EU status as the end telecom operator charge their customers for roaming in Gibraltar. Gibtelecom still offers Roam Like At Home (RLAH) and in order for that to continue the company secured a deal with every EU partner for the benefit of the Gibtelecom group, also allowing Lobster to operate as per EU Regulations.

5G Rollout commenced in 2022 and despite networks having a congested roadmap we secured 5G roaming in 23 countries, 17 of them within the EU.

Gibtelecom launched A2P services for Gibraltar traffic, with 2 of our main carrier partners. The main drivers for the launch were to improve customer experience by filtering through the firewall spam and unsolicited messages. In addition, Gibtelecom were able to monetise inbound messages from the far-end senders.

Lobster’s traffic continues to grow steadily, Gibtelecom is managing the increased international traffic through dedicated tier 1 partners to ensure the best in class customer experience.

Brexit has impacted costs for outbound voice termination. Being out of the EU, most EU countries charge a surcharge (i.e., Origin Based Rating) for calls originating in Gibraltar.

Voice Over LTE (VoLTE) internationally will need to be monitored as far end operators turn off their legacy 2G and/or 3G networks.

9. Technology

Continued Transformation

2022 has culminated in many notable milestones reached. Not least, decommissioning the Public Switched Telephone Network (PSTN), after circa 100 years of continuous, steadfast, operations. We have also continued to lay strong technological foundations that will provide a firm base for decades to come, prioritising our customers' digital experience, whilst pursuing operational and infrastructure efficiencies throughout the company.

Fixed Voice & Broadband

Our multi-year program to transform legacy communications to full fibre has progressed in line with projections, having connected 50% of customers by year end. In parallel, we have continued with our build program, providing coverage to 18,000 premises throughout Gibraltar - equating to 75% of the total target. Our point-to-point, full fibre, network has been built with longevity and flexibility in mind, strategically servicing all business verticals and technologies. The operational efficiencies born out of full fibre, are appreciable, reducing the need for a physical intervention on site by 60%, with further productivity enhancements expected once the transition has matured.

We have also embarked on a program of fortifying all Central Offices that host critical national infrastructure, ensuring continuity of service during the most testing of times. This has entailed close liaison with Government entities responsible for contingency planning.

Defying market trends, our Fixed Voice portfolio has continued to grow, predominantly in the Enterprise segment. Our private cloud PBX offering has garnered considerable traction, having been awarded two very large deployments (1,000+ seats) in quick succession.

Mobile Voice & Broadband

Continuing with our transformation to 'all-IP', 2022 saw considerable progress in the offload of legacy to Internet Protocol (IP) based infrastructure. Time Division Multiplexing (TDM) voice trunks have largely been migrated to SIP interconnections, whilst circuit switched mobile voice has experienced a compounded transition to VoLTE (Voice Over LTE, or over 4G). Our hard work with the GSM Association has paid off in accelerating handset homologation, resulting in VoLTE now carrying circa 50% of the domestic mobile voice minutes.

As in previous years, we are continuing our evolution for a medium-term transition to Stand-Alone 5G, tactically replacing end of lifecycle, monolithic, technology with data-layered architecture. We are also converging subscriber data to 'cloud-native' infrastructure, whilst centralising subscription management. We must, however, stress that 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. It is for this reason that our strategic plan delineates a gentle transition over a medium term, as and when requirements become mandatory.

Our 5G Non-standalone network is growing in strength. Leveraging 100MHz of mid-band and 15MHz of low-band frequencies, its vast capacity now carries circa 40% of all mobile data. Our continued work with handset manufacturers has resulted in ten brands been certified for 5G operations on our network. This represents 90% of our addressable handset population.

Carrier Networks & Global Services

The year also saw considerable investment in our carrier and transport footprint, having increased several core links to 400 Gb per second, whilst also augmenting the overall resiliency of the network by adding capacity in critical areas of Europe. Simultaneously, we completed our IP expansion by

commissioning nodes in Dublin, Malta, Singapore, and Malaysia, providing direct internet peering into Asia.

Sustainability

In line with His Majesty's Government of Gibraltar's (HM GoG) Climate Change Act and associated energy decarbonisation targets, we have embraced an ambitious plan to reduce Scope 1 and 2 emissions without hindering the customer experience. During 2022, the decommissioning of PSTN reduced our energy consumption by circa 25%. We also introduced functionalities that allow mobile radio assets to be placed into low-power consumption modes during silent hours. This has also contributed to reducing Scope 2 emissions. Notably, we are exploring means of introducing renewable energy sources to selected mobile sites, again helping reduce Scope 2 emissions.

Digital Transformation

Our multi-year transformation program, that focuses on the digitisation of operations, has continued to forge efficiencies, agility, and increased quality of experience for all customers. 2022 saw the finalisation of a tendering exercise for our next-generation operations support system and business support system. Considered the mainstay of the transformation program, upon delivery, we expect to create an ecosystem that digitally exposes sales, care and support services to customers from all verticals (Consumer, Enterprise, Carrier).



Figure 3: FTTH connectivity



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

10. Lobster

	2022	2021
Pay monthly customers	67,944	47,255
Blended ARPU ^(a)	€9.5	€10.5

(a) Monthly Average Revenue Per User

The year 2022 was the fourth year of operation for Lobster and saw the customer base grow from circa 47,000 customers to circa 68,000, whilst the blended ARPU decreased from €10.5 in 2021 to €9.5 in 2022. Lobster Gross Adds of 23,600 increased 26% in 2022 compared to 2021.

Revenues in local currency grew from €4.8 million in 2021 to €6.6 million in 2022, a growth of 38% over a year despite the significant challenges imposed by Brexit which have slowed down the growth of our operations in Spain.

The Gross Domestic Product (GDP) in Spain grew in 2022 by 5.5%, but average inflation Consumer Price Index (CPI) was 8.6%, the highest since 1986. CPI year-on-year in December was 5.7% and the annual core inflation was 7%. This environment of inflation and economic uncertainty kept the economic output of Spain slow throughout the year 2022.

The efforts made in digital transformation by renewing the Lobster webpage and the seller portal, made possible both increasing the number of customers who directly purchase the service and speeding up the sales process in the physical channels. In addition, Lobster initiated in 2022 an ambitious visibility program in the physical shops reinforcing their presence and the brand image.

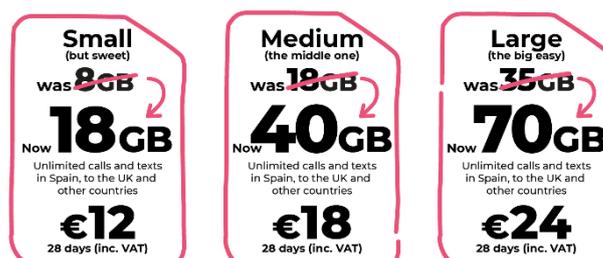
In 2022, Lobster launched a new high level advertising campaign concept with Mr. Lobster to humanise the brand and to help build a stronger bond with customers. The Union Pink was also introduced to continue building affinity with our target segment.



Lobster visual identity has evolved by introducing the SIM card in the Lobster logo hence, reinforcing our identity as a SIM-only mobile network.



In February 2022 Lobster commercially repositioned its tariffs giving more data bundles of 18Gb, 40Gb and 70Gb to make them more competitive against the main competitors.



In April 2022, Lobster launched new tariff "Just Spain" at a lower price with 18Gb and unlimited calls in Spain to address the younger segment and also the Spanish market.



In June 2022, Lobster launched a 50% off for the first 3 payments promotion for all new customers to accelerate acquisition. The promotion ran until October.

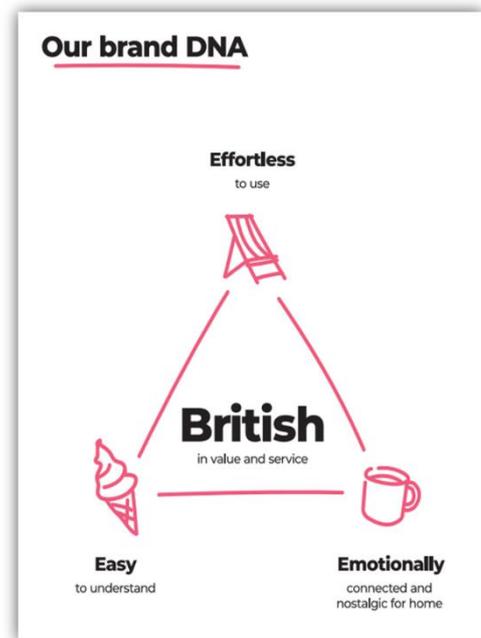
In October 2022, Lobster launched another promotion, Triple Data for new customers to accelerate acquisition again. The promotion ran until January 2023.



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:



Why Lobster?



We're all-in-English

Absolutely everything! The website, the bills, the customer service. We speak your language.

We're tailor-made for you

We have a choice of great value plans, so you can get the one that's right for you.



We're totally flexible

You can change your plan, and stop and start it, any time you like. Park your number whilst away from Spain. There are no commitments or hidden surprises.

We're simple and easy

We give you full control over what you spend. Easy to understand and effortless to use.



Keep your Spanish number

Keeping your number is easy. Just let us know and we'll transfer it for you. It usually takes 24 hours then you're good to go. Don't worry we'll tell you once it's done.

11. Our purpose, our engagement

A redefined mission around 3 new core values

In 2022, the Management of Gibtelecom has carried out a journey of reflection in relation to its mission, its purpose and more generally about its culture.

We build connections that really matter, in Gibraltar and beyond to make life better, is our newly defined mission. Whilst not a revolution it aims at encompassing all our current and future activities, in a culture that radically evolves towards our 3 new core values:

- **Bold:** we are ambitious and courageous, ready to go with a new idea and make it happen.
- **Simplicity:** We are straightforward and make things happen.
- **Trust:** We are trusted by our customers and colleagues. We listen and do what is right.

At the core of our reflection, our customers' voice has been embedded in our new mission from our yearly customer satisfaction surveys. We want the business with us to be simple and straight forward, we want to remain a relevant and trusted partner for Consumers and Enterprise alike and we want to be able to take bold decisions which keep us agile in an ever-evolving telecom market.

Customer back to basics means that we will focus on connection, which is our core expertise and core competence, alongside building up layers of value-added managed services, an IaaS that leverage our existing portfolio of assets and enhance us as a one-stop-shop.

Operational efficiency and lean management

Gibtelecom was reorganised through the creation of 4 verticals (Consumer, Enterprise, Carriers, Lobster) in order to address the Business and Consumer customers differently and accordingly. Together with the internationalisation of our activities, those pivotal strategies have made it necessary to find group synergies, avoiding duplication of tasks or duplication of assets in various jurisdictions in order to remain as lean and agile as possible. The group is also focused to create

an organisation with structures and solutions which are 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 due to the diversification of Gibtelecom's activities.

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.

Investing in our People

We embarked on our people strategy project in 2021. The programme utilises the depth of the Investors In People (IIP) "We Invest in People" framework taking us on a journey which progresses our people centric culture where everything we do supports our overall performance.

In 2022, our commitment to invest in our people's development continued with extensive technology trainings to sustain and improve Gibtelecom's engineering excellence.

With our people strategy programme focusing on:

- Leadership development, comprised of teams and executive coaching.
- Management development, centred on people management effectiveness.
- Developing our employee brand, encompassing employees' experience, engagement,

empowerment, ownership, and motivation to further improve our goals.

- Creating our new company mission and values which will serve as our guiding principles providing a clear sense of direction and purpose, playing a pivotal role in shaping our identity, guiding our actions and creating a strong organisational culture that drives success.

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 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 FTTH program will provide a ubiquitous connectivity throughout Gibraltar. The program should connect nearly 100% of the population by the end of 2023 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 Development & planning commission (DPC) 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 2022, Gibtelecom has also initiated a reflection towards a greener and more sustainable operation. Some “quick wins” around notably electricity consumption and vehicles management have already been implemented but the task will span several years to deliver a greener Gibtelecom through careful and methodical investments decisions which keep at sight the environmental and societal impact for the future.

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, sector or industry.

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.

Digital and cyber threat

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

Our ISO 27001 accreditation obtained in Q1 2023 demonstrates our expertise and our preoccupation in respect of digital threats and in relation to sensitive customer's data management overall. As a telecom operator, Gibtelecom is indeed at the crossroad of many digital threats which might target customers, suppliers or network alike.

Brexit

In 2022, 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.

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 PoPs and 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 are tested regularly.

14. 2022 Key Financials

2022 was a year of transition for the Gibtelecom group notably driven by the evolution of our product offering and our business models in order to offer a layer of value-added managed services to our modernised connectivity and create more seamless and simple customer experiences throughout.

Revenue has resumed growth, to £40.6 million, a nearly 5% Year-on-Year (YoY) growth after several years of decline and two years of stagnation induced by Covid-19 and Brexit. 2022 was geared towards kick starting the activity in all our verticals with a growth driven primarily by the expansion of Lobster but also fuelled by all the other verticals which have notably benefitted from our recent investments in FTTH, 5G, international data centres, cloud and our modernised network and connectivity.

Costs have been cautiously controlled, however as we evolve our business models, the cost of sales has increased YoY notably driven by increased cloud sales and data traffic. Below Ebitda, depreciation has increased in line with our investments; together with an increased cost of financing, this has led to a decrease of our net profit.

Investments have been maintained at a high level of £6.1 million in the year mainly on account of the FTTH program.

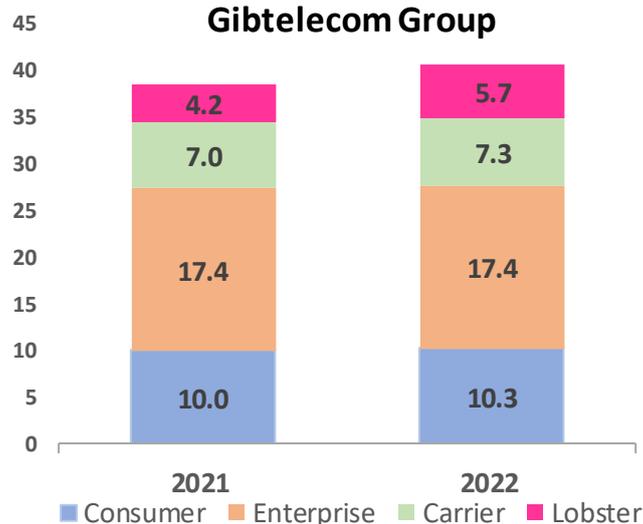
The net debt of the group has decreased to £2.8 million through careful cash management amid increasing costs of financing. Our credit score is very strong with a net debt to Ebitda multiple of 0.38x only.

Gibtelecom Ltd revenue was £34.5 million (2021: £33.9 million). Ebitda £7.2 million (2021: £7.2 million) and net loss of £(3,730) (2021: £0.6 million net profit). The dividends declared in 2022 were £1.0 million (2021: £1.0 million). No further dividends recommended.

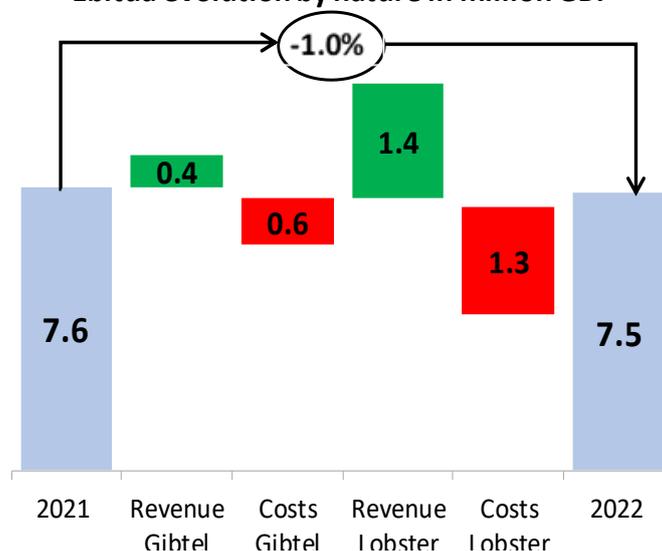
Main indicators - Gibtelecom Group

In million GBP	2021	2022	YoY %
Revenue	38.8	40.6	4.8%
Ebitda	7.6	7.5	(1.0%)
Margin %	19.5%	18.4%	
Net profit	0.7	0.1	(84.1%)
Margin %	1.7%	0.3%	
Capex	7.5	6.1	(19.6%)
Intensity %	19.4%	14.9%	
Net debt	(6.2)	(2.8)	(54.7%)
Ebitda multiple	0.83x	0.38x	
Cash from operations	0.0	1.4	>100%
Number of customers	104,617	125,623	20.1%

Revenue in million GBP Gibtelecom Group



Ebitda evolution by nature in million GBP



15. 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
Charles Santos (appointed 18 th October 2022)		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 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).

16. Subsequent events

Please refer to note 27 of the financial report.

17. Going concern

Please refer to note 1.2 of the financial report.

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.

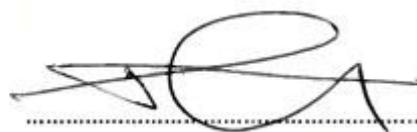
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group to enable them to ensure that the financial statements comply with applicable law. They are also responsible for safeguarding the 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 company's Annual General Meeting has decided to appoint EY Limited as the new auditor as from the financial year ending 31st December 2022. The retiring auditor, Deloitte Limited has been thanked for their service and has completed all filings up until 31st December 2021.

By order of the Board



Dwayne Lara, Company Secretary

5 October 2023

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

1. Report on the audit of the consolidated financial statements

Opinion

We have audited the financial statements of Gibtelecom Limited (the "company") and its subsidiaries (together, the "group"), which comprise the consolidated and company statement of financial position as at 31 December 2022, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated and company statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements:

- give a true and fair view of the state of the group and company's affairs as at 31 December 2022 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with Gibraltar Financial Reporting Standards; and
- have been properly prepared in accordance with the Companies Act 2014.

This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 257 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other matter

The financial statements of the company and the group for the year ended 31 December 2021, were

audited by another auditor who expressed an unmodified opinion on those financial statements on 17 October 2022.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. 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 Directors' Report, but does not include 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 this 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, 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 this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and true and fair presentation of the financial statements 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 group and 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 group or 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 judgment and maintain professional skepticism 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 group and 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 group or 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 the Directors' Report has been properly prepared in accordance with the Companies Act 2014 and the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2014 requires us to report to you if, in our opinion:

- we have identified material misstatements in the Directors' Report.
- we have not received all the information and explanations we require for our audit.



Dale Cruz

Statutory auditor for and on behalf of

EY LIMITED

Registered auditors

Chartered Accountants

Regal House

Queensway

Gibraltar

11 October 2023

D. CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 2022

Group	Note	2022 £	2021 £
Turnover	3	40,634,333	38,779,472
Operating expenses:			
Technical and infrastructure		(6,295,653)	(6,257,139)
Operational charges	7	(10,554,469)	(9,617,590)
Payments to telecommunications administrations		(4,770,473)	(3,304,249)
Staff costs	4	(11,526,570)	(12,036,991)
Restructuring costs		(38,171)	-
Depreciation	11	(6,062,095)	(5,543,849)
EIG Submarine Cable amortisation	13	(654,047)	(654,053)
Total operating expenses		(39,901,478)	(37,413,871)
Group operating profit		732,855	1,365,601
Gain on disposal of tangible fixed assets		1,200	-
Interest receivable on bank deposits		48,764	2,054
Interest payable and similar charges	8	(388,862)	(286,940)
Finance costs (financial component of pension charges)	22	(302,000)	(308,000)
Foreign exchange loss		(9,590)	(13,407)
Profit on ordinary activities before taxation		82,367	759,308
Tax on profit on ordinary activities	9	21,135	(107,546)
Profit on ordinary activities after taxation		103,502	651,762

There have been no discontinued activities or acquisitions in the current or preceding year.

The parent company made a loss for the year after taxation of £(3,730) (2021: profit of £578,368). The parent company has not published its own profit and loss account in these consolidated financial statements.

The notes on pages 39 to 65 form part of these financial statements.

E. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st DECEMBER 2022

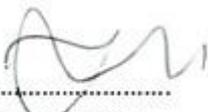
Group	Note	2022 £	2021 £
Profit for the financial year		103,502	651,762
<i>Other comprehensive income/(loss):</i>			
Re-measurement gain recognised on defined benefit pension schemes	22	21,987,000	3,920,000
Movement on deferred tax relating to pension liability	9, 15	(4,397,400)	(811,000)
Exchange differences arising on retranslation of foreign operations		38,299	(258,237)
Total comprehensive income for the year		17,731,401	3,502,525

The notes on pages 39 to 65 form part of these financial statements.

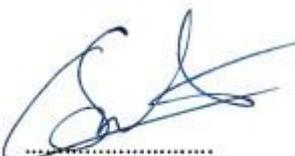
F. STATEMENT OF FINANCIAL POSITION AS AT 31st DECEMBER 2022

	Note	Group		Company	
		2022	2021	2022	2021
		£	£	£	£
Fixed assets:					
Tangible & intangible fixed assets	11	35,332,154	41,025,600	34,544,401	39,912,501
Investments	12	-	-	12,002	12,002
EIG submarine cable	13	6,094,132	6,639,591	6,094,132	6,639,591
Net pension asset	22	7,373,000	-	7,373,000	-
Total fixed assets		48,799,286	47,665,191	48,023,535	46,564,094
Current assets:					
Stocks	14	1,441,936	996,816	1,441,936	996,816
Debtors					
due within one year	15	10,985,289	13,252,382	24,592,472	23,483,398
due after one year	15	584,880	733,430	584,880	733,430
Cash at bank and in hand	20	3,174,435	2,542,606	1,808,105	1,515,026
Total current assets		16,186,540	17,525,234	28,427,393	26,728,670
Creditors, due within one year	16	(8,055,687)	(8,058,532)	(20,607,761)	(17,146,131)
Net Current Assets		8,130,853	9,466,702	7,819,632	9,582,539
Total assets, less current liabilities		56,930,139	57,131,893	55,843,167	56,146,633
Non-current liabilities:					
Creditors, due after one year	17	(7,105,243)	(10,302,359)	(7,105,243)	(10,302,359)
Provisions for liabilities	18	(2,111,072)	(15,847,111)	(2,105,374)	(15,797,594)
Total non-current liabilities		(9,216,315)	(26,149,470)	(9,210,617)	(26,099,953)
Net Assets		47,713,824	30,982,423	46,632,550	30,046,680
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		32,713,824	15,982,423	31,632,550	15,046,680
Equity shareholders' funds		47,713,824	30,982,423	46,632,550	30,046,680

Approved by the Board on 5 October 2023



Noel Burrows



Charles Santos

The notes on pages 39 to 65 form part of these financial statements.

G. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31st DECEMBER 2022

Group	Note	Called up share capital £	Share premium account £	Profit and loss account £	Total £
As at 1st January 2022		15,000	14,985,000	15,982,423	30,982,423
Profit for the financial year		-	-	103,502	103,502
Re-measurement gain recognised on defined benefit pension schemes	22	-	-	21,987,000	21,987,000
Movement on deferred tax relating to pension liability	9, 15	-	-	(4,397,400)	(4,397,400)
Exchange differences arising on retranslation of foreign operations		-	-	38,299	38,299
Total equity before dividends		15,000	14,985,000	33,713,824	48,713,824
Dividends	10	-	-	(1,000,000)	(1,000,000)
As at 31st December 2022		15,000	14,985,000	32,713,824	47,713,824

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
Re-measurement gain recognised on defined benefit pension schemes	22	-	-	3,920,000	3,920,000
Movement on deferred tax relating to pension liability	9, 15	-	-	(811,000)	(811,000)
Exchange differences arising on retranslation of foreign operations		-	-	(3,940)	(3,940)
Total equity before dividends		15,000	14,985,000	16,982,423	31,982,423
Dividends	10	-	-	(1,000,000)	(1,000,000)
As at 31st December 2021		15,000	14,985,000	15,982,423	30,982,423

The notes on pages 39 to 65 form part of these financial statements.

H. COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31st DECEMBER 2022

Company	Note	Called up share capital £	Share premium account £	Profit and loss account £	Total £
As at 1st January 2022		15,000	14,985,000	15,046,680	30,046,680
Loss for the financial year		-	-	(3,730)	(3,730)
Re-measurement gain recognised on defined benefit pension schemes	22	-	-	21,987,000	21,987,000
Movement on deferred tax relating to pension liability	9, 15	-	-	(4,397,400)	(4,397,400)
Total equity before dividends		15,000	14,985,000	32,632,550	47,632,550
Dividends	10	-	-	(1,000,000)	(1,000,000)
As at 31st December 2022		15,000	14,985,000	31,632,550	46,632,550

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
Re-measurement gain recognised on defined benefit pension schemes	22	-	-	3,920,000	3,920,000
Movement on deferred tax relating to pension liability	9, 15	-	-	(811,000)	(811,000)
Total equity before dividends		15,000	14,985,000	16,046,680	31,046,680
Dividends	10	-	-	(1,000,000)	(1,000,000)
As at 31st December 2021		15,000	14,985,000	15,046,680	30,046,680

The notes on pages 39 to 65 form part of these financial statements.

I. CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2022

Group	Note	2022 £	2021 £
Cash flows from operating activities:			
Group operating profit		732,855	1,365,601
Depreciation and amortisation charges		6,716,142	6,197,902
Difference of pension charge and cash contributions		(553,000)	(442,684)
(Increase) / decrease in stocks	14	(445,120)	97,025
Decrease in debtors		176,669	224,498
Decrease in creditors		(1,340,631)	(2,277,427)
(Decrease) / increase in other provisions for liabilities and charges		(30,000)	96,865
Interest paid		(388,862)	(286,940)
Corporation tax paid		-	(70,258)
Net cash flows provided by operating activities		4,868,053	4,904,582
Cash flows from investing activities:			
Interest received		48,764	2,054
Proceeds from sale of tangible fixed assets		5,817,562	-
Payments to acquire tangible & intangible fixed assets		(6,202,173)	(5,245,817)
Payments for subsequent upgrade of EIG cable capacity	13	(108,582)	(99,156)
Net cash flows used in investing activities		(444,429)	(5,342,919)
Cash flows from financing activities:			
Equity dividends paid	10	(1,000,000)	(1,000,000)
Proceeds from bank borrowings	21	500,000	1,000,000
Repayment of bank borrowings	21	(3,285,033)	-
Net cash flows used in financing activities		(3,785,033)	-
Effect of exchange rate changes		(6,762)	2,243
Net increase / (decrease) in cash and cash equivalents		631,829	(436,094)
Cash and cash equivalents at the beginning of the year		2,542,606	2,978,700
Cash and cash equivalents at the end of the year		3,174,435	2,542,606

The notes on pages 39 to 65 form part of these financial statements.

J. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2022

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 and presentation currency of the group is considered to be Pounds Sterling because the majority of our transactions are denominated in Pounds Sterling.

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 2022. Please refer to note 12 for further details on the subsidiaries.

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.

Subsidiaries are consolidated from the date of acquisition, being the date when the group obtains control and are consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

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.

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. 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.

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 2022, the Directors have 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. The conflict in Ukraine was also considered but the group does not have any significant exposure to this region.

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 management 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 2022 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

Company

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.

Group

In respect to assets and liabilities arising from the group's separately identifiable foreign business, the assets and liabilities are translated at the exchange rate ruling at the date of the statement of financial position. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the statement of comprehensive income.

1.5. Operating leases

Rentals on operating leases are charged to the profit and loss account as incurred on a straight-line basis over the lease term.

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. Fixed assets

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.

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.

Intangible assets are included under furniture, office equipment & software and the amortisation is part of the depreciation expense.

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

Non-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. Pension and other post-employment benefit

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.

The defined net benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The carrying value of the net pension asset is disclosed in note 22.

Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable.

The Trust Deed and Rules of the pension schemes provide the company with an unconditional right to a refund of surplus assets assuming the gradual settlement of the plan liabilities over time until all members have left the plan or assuming the full settlement of plan liabilities in the event of a plan

wind-up. Furthermore, in the ordinary course of business, the Trustees have no rights to unilaterally wind up, or otherwise augment the benefits due to members of the scheme. Based on these rights, any net surplus in the schemes is recognised in full.

1.11. 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.

1.12. 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.

1.13. 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.

1.14. 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.

1.15. 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.

1.16. 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.

1.17. 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.

1.18. 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.

1.19. Dividends

Dividends on equity shares are recognised as a deduction of equity when a liability to pay the dividend arises. Consequently, dividends are recognised when paid and final dividends when approved in general meeting.

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 Pension and other post-employment benefit

The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty.

2.2 Taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in Note 9.

2.3 Assets in the course of construction

Assets in the course of construction include costs incurred in the year related to the ongoing Fibre to the Home (FTTH) project. The value transferred from work-in-progress to completed assets is based on a calculated percentage of completion which is determined by reference to the serviceable areas in Gibraltar. Some inputs used in the calculation are based on estimated metrics hence, there is a level of uncertainty.

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	2022 £	2021 £
Consumer	10,267,305	10,027,899
Enterprise	17,395,109	17,397,662
Carrier	7,284,111	6,980,985
Lobster	5,656,000	4,212,520
Other	31,808	160,406
Total turnover	40,634,333	38,779,472

4 Staff costs

Group	2022 £	2021 £
Wages and salaries	8,767,474	8,965,590
Social security costs	633,169	508,650
Pension costs	2,125,927	2,562,751
Total staff costs	11,526,570	12,036,991

Gibtelecom employees are a member of either a Defined Benefits scheme (DB scheme) or a Defined Contributions (DC scheme). The 2 DB schemes currently still in force have been closed to new entrants in 2016 and the DC scheme was opened in July 2022.

In relation to the DB schemes, the pension costs are calculated by a professional actuary in line with GFRS 102. The costs calculated are broken down between the current costs and the past service costs of the schemes. The total current costs in 2022 were £2,215,000 (2021: £2,550,000). The difference to the figures reported in the table above reflects other pension charges/credits effected by Gibtelecom group.

In 2022, the total pension cash contributions paid by Gibtelecom Ltd to the 2 DB schemes amounted to £2,798,000 (2021: £3,023,000). 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 the current year costs only, the actuaries take into account the cash contributions paid during the year.

As from July 2022, the company has launched a new DC scheme, the total pension cash contributions paid by Gibtelecom Ltd amounted to £65,274 (2021: nil).

The total remuneration for key management personnel comprising company directorates and departmental leaders (note 5) totalled £3,122,743

for 2022 (2021: £3,262,814). 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 31 st December		Average for the year	
	2022 headcount	2021 headcount	2022 headcount	2021 headcount
Support functions				
Corporate & Regulatory; Finance; Human Resources; Building & Stores and Support staff	20	21	19	22
Consumer				
Customer Care and Marketing	24	26	26	26
Enterprise				
Business and Data Centre	11	9	9	10
Carrier				
Roaming and International	5	3	3	3
Technical				
Voice Services; Transport Networks; Technical Facilities; Networks Operation Centre; Mobile Radio; Information Technology; Information Systems; Transport Network and External plant	84	91	90	90
Total headcount	144	150	147	151

6 Directors' emoluments

The Directors of Gibtelecom did not receive emoluments from the company for their services as Directors during the year (2021: £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	2022	2021
	£	£
<hr/>		
Included in operational charges are:		
Operating lease charges on rented properties	527,858	469,404
Statutory audit fees	146,886	125,355
Taxation compliance services	8,850	8,230

8 Interest payable

Group	2022	2021
	£	£
<hr/>		
Interest payables on bank loans	388,862	286,940

9 Tax on profit on ordinary activities

9.1 Analysis of the charge for the year

Group	2022 £	2021 £
Current tax:		
Gibraltar corporation tax on profit for the year	(256,324)	(105,004)
Foreign tax for the year	(158,468)	(215,325)
Unilateral tax relief for the year	-	126,476
(Under)/over provisions from prior years	(65,921)	69,818
Total current tax (A)	(480,713)	(124,035)
Deferred tax:		
Deferred tax movement	99,556	(204,411)
Over provisions from prior years	195,567	-
Deferred tax movement on foreign operations	206,725	220,900
Total deferred tax (B)	501,848	16,489
Tax on profit on ordinary activities (A)+(B)	21,135	(107,546)
Total current and deferred tax relating to Other Comprehensive Income ^(a)	(4,397,400)	(811,000)

(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 liability as at 31st December 2022. 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	2022 £	2021 £
Profit on ordinary activities before taxation	82,367	759,308
Corporation tax at 20%	16,473	151,862
Effect of:		
Permanent differences (i)	46,518	6
Pension cost contribution in excess of net pension cost charge (ii)	(116,600)	(135,000)
Other enhanced deductions	(9,167)	(12,496)
Capital allowances in excess of depreciation (iii)	213,248	(1,280,923)
Non-telecommunication activities (iv)	(59,448)	(79,160)
Availability of tax losses	206,625	1,504,287
Effect of tax on foreign subsidiaries	(41,325)	(43,572)
Gibraltar corporation tax on profit for the year	256,324	105,004

The standard rate of Gibraltar corporation tax is 12.5%. 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 12.5%. In the July 2021 budget, HM Government of Gibraltar announced an increase to the main rate of corporation tax from 10% 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	2022		2021	
	Total £	Pence per share	Total £	Pence per share
Final dividend paid in respect of the prior year	1,000,000	66.67	1,000,000	66.67
Total	1,000,000	66.67	1,000,000	66.67

On 23rd December 2022 the Board of Directors approved a final dividend of £1,000,000.

11 Tangible & Intangible fixed assets

	Assets under construction /delivery	Freehold land and building	Leasehold land and building	Plant and equipment	Furniture, office equipment & Software	Motor vehicles	Total
	£	£	£	£	£	£	£
Cost:							
At 1st January 2022	4,117,713	5,147,915	12,564,217	87,497,490	4,788,782	792,576	114,908,693
Additions	1,920,604	-	-	4,272,762	149,155	7,145	6,349,666
Transferred on completion	(960,481)	-	-	909,112	51,369	-	-
Disposals	-	-	(6,957,013)	(5,445,075)	(1,310,346)	(333,906)	(14,046,340)
At 31st December 2022	5,077,836	5,147,915	5,607,204	87,234,289	3,678,960	465,815	107,212,019
Accumulated depreciation:							
At 1st January 2022	-	1,249,028	2,437,564	66,025,671	3,418,200	752,630	73,883,093
Charge for the year	-	102,924	114,581	5,248,835	564,255	31,500	6,062,095
Disposals	-	-	(981,355)	(5,448,960)	(1,304,182)	(330,826)	(8,065,323)
At 31st December 2022	-	1,351,952	1,570,790	65,825,546	2,678,273	453,304	71,879,865
Net book value:							
At 31st December 2022	5,077,836	3,795,963	4,036,414	21,408,743	1,000,687	12,511	35,332,154
At 31st December 2021	4,117,713	3,898,887	10,126,653	21,471,819	1,370,582	39,946	41,025,600

Company

	Assets under construction /delivery	Freehold land and building	Leasehold land and building	Plant and equipment	Furniture, office equipment & Software	Motor vehicles	Total
	£	£	£	£	£	£	£
Cost:							
At 1st January 2022	4,117,713	5,147,915	12,564,217	84,744,118	4,788,782	792,576	112,155,321
Additions	1,920,604	-	-	4,269,305	149,155	7,145	6,346,209
Transferred on completion	(960,481)	-	-	909,112	51,369	-	-
Disposals	-	-	(6,957,013)	(5,357,940)	(1,310,346)	(333,906)	(13,959,205)
Intercompany transfers	-	-	-	-	-	-	-
At 31st December 2022	5,077,836	5,147,915	5,607,204	84,564,595	3,678,960	465,815	104,542,325
Accumulated depreciation:							
At 1st January 2022	-	1,249,028	2,437,564	64,385,398	3,418,200	752,630	72,242,820
Charge for the year	-	102,924	114,581	4,913,309	564,257	31,500	5,726,571
Disposals	-	-	(981,355)	(5,355,103)	(1,304,184)	(330,825)	(7,971,467)
Intercompany transfers	-	-	-	-	-	-	-
At 31st December 2022	-	1,351,952	1,570,790	63,943,604	2,678,273	453,305	69,997,924
Net book value:							
At 31st December 2022	5,077,836	3,795,963	4,036,414	20,620,991	1,000,687	12,510	34,544,401
At 31st December 2021	4,117,713	3,898,887	10,126,653	20,358,720	1,370,582	39,946	39,912,501

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 £7,661,179 (2021: £14,710,024) are pledged as security for the

borrowings of the group in respect of premises. Details of the loans are disclosed in note 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. The property was sold in July 2022 at net book value.

12 Investments in subsidiaries

Details of the investments in subsidiaries, based on the subsidiary undertakings' latest unaudited financial statements as at 31st December 2022:

Company	2022 £	2021 £
Investments	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	5,798,525	712,099
Zinnia Limited ^(a)	Gibraltar	4,000 ordinary shares of £1 each	100%	Holding company	36,291	14,900
Gibraltar Telecom (UK) Limited ^(b)	UK	1 ordinary shares of £1 each	100%	Consulting	3,036	3,821

(a) Zinnia Limited wholly owns Zinnia Telecomunicaciones SL (Zinniatel), a Spanish registered company running a Mobile Virtual Network Operation in Spain. As at 31st December 2022, 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 2022, Rockolo Malaysia's shareholding comprised of MYR10 of ordinary share capital.
 - Rockolo Malta Ltd. (Rockolo Malta), a Malta registered company providing data centre services in Malta. As at 31st December 2022, Rockolo Malta's shareholding comprised of EUR1,200 of ordinary share capital.
- (c) Gibraltar Telecom (UK) Limited and its wholly owned subsidiaries have been excluded from the consolidation on the basis that these entities are collectively immaterial to the group.

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 (2021: £20,579,356). During 2021 the company has committed to upgrade 5 and then upgrade 5.2 in 2022 for which partial payments were made, entitling the company to a total of circa 4% of the EIG's total capacity. As at 31st December 2022, the total capacity expressed in Minimum Investment Units (MIUs) reaches 6.7 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.

In 2021, given the upgrade 5 scheduled for 2022 and the impending upgrade 5.2 in 2023, it was decided appropriate to extend the useful life used by Gibtelecom to 31st December 2032 and book the change in amortisation pattern prospectively. The new useful life is therefore 20.5 years from June 2012.

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

	2022	2021
	£	£
At 1st January	7,293,644	7,848,541
Additions	108,582	99,156
Charged to the profit and loss account	(654,047)	(654,053)
At 31st December	6,748,179	7,293,644

Group and Company

	2022	2021
	£	£
Fixed assets	6,094,132	6,639,591
Current assets (note 15)	654,047	654,053
Total	6,748,179	7,293,644

14 Stocks

Group and Company	2022 £	2021 £
Goods for resale or consumption	1,441,936	996,816

15 Debtors

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
Amounts falling due within one year:				
Trade debtors	4,535,665	4,314,673	14,025,476	10,558,098
Other debtors and prepayments	2,658,913	2,337,266	8,385,559	7,623,357
Deferred tax asset on foreign operations	1,585,439	1,298,500	-	-
Corporation tax receivable	1,551,225	1,674,890	1,527,390	1,674,890
Deferred tax asset on pension liability	-	2,973,000	-	2,973,000
EIG submarine cable (note 13)	654,047	654,053	654,047	654,053
Total due within one year	10,985,289	13,252,382	24,592,472	23,483,398

	2022	2021	2022	2021
	£	£	£	£
Amounts falling due after one year ^(a):				
Prepaid capacity use of SMW4 cable	536,850	685,400	536,850	685,400
Security deposits	48,030	48,030	48,030	48,030
Total due after one year	584,880	733,430	584,880	733,430
Total debtors	11,570,169	13,985,812	25,177,352	24,216,828

(a) Excluding the EIG cable

	2022	2021	2022	2021
	£	£	£	£
Deferred tax asset on pension liability:				
At 1st January	2,973,000	3,784,000	2,973,000	3,784,000
Charged to other comp. income (note 9)	(4,397,400)	(811,000)	(4,397,400)	(811,000)
Deferred tax liability recognised in note 18	1,424,400	-	1,424,400	-
As at 31st December 2022	-	2,973,000	-	2,973,000

16 Creditors: amounts falling due within one year

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
Trade creditors	4,614,439	3,655,627	4,695,707	3,734,290
Amounts due to subsidiaries ^(a)	-	-	12,002	12,002
Other creditors	41,839	8,992	53,526	10,850
PAYE and social insurance	-	186,169	-	180,713
Corporation tax	-	(45,144)	-	-
Accruals and deferred income	3,399,409	4,252,888	15,846,526	13,208,276
Total due within one year	8,055,687	8,058,532	20,607,761	17,146,131

(a) Unpaid share capital

17 Creditors: amounts falling due after more than one year

17.1 Breakdown by nature

Group and Company	2022 £	2021 £
Bank borrowings:		
Revolving Credit Facility	6,000,000	8,785,033
Accruals and deferred income:		
EIG onward sale of capacity deferred revenue	1,105,243	1,517,326
At 31st December	7,105,243	10,302,359

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 2022 was as follows:

Group and Company	2022 £	2021 £
In more than two years but not more than five years	6,000,000	8,785,033

17.3 Bank borrowings

Gibtelecom has one loan facility in place, (known as revolving credit facility or RCF) and as at 31st December 2022 the total balance due after one year is £6,000,000 (2021: £8,785,033).

The 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 its 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 2022 is £6,000,000.

17.4 Haven building

Gibtelecom purchased the leasehold Haven building in John Mackintosh Square from HM Government of Gibraltar in January 2014. The building 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 have been used to partly repay the RCF.

18 Provisions for liabilities

18.1 Breakdown by nature

Group	Deferred tax liability	Net defined benefits pension deficit	Total
	£	£	£
At 1st January 2022	(981,795)	(14,865,316)	(15,847,111)
Payments made during the year	-	-	-
Released during the year – recognised in profit or loss	295,123	-	295,123
Charged to other comprehensive income	(1,424,400)	-	(1,424,400)
Movement in net defined benefits pension deficit	-	22,238,316	22,238,316
Net pension asset recognised in note 22	-	(7,373,000)	(7,373,000)
At 31st December 2022	(2,111,072)	-	(2,111,072)

Company	Deferred tax liability	Net defined benefits pension deficit	Total
	£	£	£
At 1st January 2022	(932,278)	(14,865,316)	(15,797,594)
Payments made during the year	-	-	-
Released during the year – recognised in profit or loss	251,304	-	251,304
Charged to other comprehensive income	(1,424,400)	-	(1,424,400)
Movement in net defined benefits pension deficit	-	22,238,316	22,238,316
Net pension asset recognised in note 22	-	(7,373,000)	(7,373,000)
At 31st December 2022	(2,105,374)	-	(2,105,374)

18.2 Deferred tax provision

Group	2022	2021
	£	£
At 1st January	(981,795)	(777,384)
Released / (charged) during the year – recognised in profit or loss	295,123	(204,411)
Charged to other comprehensive income	(1,424,400)	-
At 31st December	(2,111,072)	(981,795)

The deferred tax liability is broken down as follows:

Company	2022	2021
	£	£
Accelerated capital allowances	(680,974)	(981,795)
Pension scheme	(1,424,400)	-
Total deferred tax liability	(2,105,374)	(981,795)

19 Called up share capital and reserves

Group and Company	2022 £	2021 £
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	2022 £	2021 £
Share premium	14,985,000	14,985,000

The company has issued ordinary shares of which:

- all rights are equal;
- there are no specific clauses on rights attached to the ordinary shares within the memorandum and articles;
- the holder is entitled to attend and vote at general meetings; and
- any dividends declared and or paid will be decided and voted for by the board of directors.

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 1st January 2022	2,542,606	(8,785,033)	(6,242,427)
Cash movement	631,829	2,785,033	3,416,862
At 31st December 2022	3,174,435	(6,000,000)	(2,825,565)

Company	Bank balances £	Less bank loans £	Total net debt £
At 1st January 2022	1,515,026	(8,785,033)	(7,270,007)
Cash movement	293,079	2,785,033	3,078,112
At 31st December 2022	1,808,105	(6,000,000)	(4,191,895)

21 Reconciliation of net cash flow to movement in net debt

Group	2022	2021
	£	£
Net debt as at 1st January	(6,242,427)	(4,806,333)
Movement in cash	631,829	(436,094)
Proceeds from bank borrowings	(500,000)	(1,000,000)
Repayment of bank borrowing	3,285,033	-
Net debt as at 31st December	(2,825,565)	(6,242,427)
Company	2022	2021
	£	£
Net debt as at 1st January	(7,270,007)	(5,629,097)
Movement in cash	293,079	(640,910)
Proceeds from bank borrowings	(500,000)	(1,000,000)
Repayment of bank borrowing	3,285,033	-
Net debt as at 31st December	(4,191,895)	(7,270,007)

22 Pension commitments

22.1 Overview

The company operates three pension schemes for Gibtelecom Ltd employees, of which two are defined benefits schemes (DB schemes).

The Gibraltar NYNEX Communications Limited Staff Pension scheme (GNC scheme) covers former GNC employees and most new joiners to Gibtelecom between 2002 and 2016. The Gibtel Pension Fund is for former Gibtel employees which has been closed to new members since 2002. Both schemes provide defined retirement benefits based on final pensionable salary. Since July 2022 Gibtelecom offers to its employees the possibility to enrol into a defined contribution scheme.

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 2020, completed in September 2022 for GNC and April 2023 for Gibtel. The recommendations adopted by the company have taken effect respectively as from 1st October 2022 and 1st April 2023.

The actuarial valuations per GFRS 102 as at 31st December 2022 were completed in February 2023 for both schemes and are based on an update of the triennial valuation carried out as at 1st August 2017 and 2020 respectively, thereby introducing an element of approximation relative to the result of

hypothetical full actuarial valuations for GFRS 102 as at 31st December 2022.

Future service contribution rates and past service deficit contributions are derived from the triennial actuarial valuation carried out as at 1st August 2017 and 2020 respectively.

22.3 Contributions

Under the GNC scheme, the employers' contributions were 36.4% of basic salaries until September 2022 and 31.8% as from October 2022. The company's total contributions to the GNC scheme for 2022 amounted to £1,588,000 (2021: £1,883,000). These contributions also include an additional annual contribution made during the year of £174,000 (2021: £360,000) which cover past service liabilities. There were no exceptional pensions payments effected in respect of voluntary separations in 2022 (2021: £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. The actuarial valuation as at 1st August 2020 assumed that the past service liability deficit will be recovered over a period of 15 years starting in July 2022 and finishing in July 2037 leading to an annual deficit repayment of £174,000. This latest actuarial valuation indicates that the level of asset coverage is 85% and the deficit amounts to £3,865,000.

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 2022 amounted to £1,210,000 (2021: £1,140,000). These

contributions also include an additional annual contribution made during the year of £777,924 (2021: £740,800) which covers past service liabilities. There were no exceptional pensions payments effected in respect of voluntary separations in 2022 (2021: £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 2022 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.

22.5 Main assumptions

As at 31st December 2021 and 2022, the Directors have set the major assumptions as set out below, based on reviews and recommendations made by actuaries:

Group and Company

	2022 £	2021 £
Rate of increase in salaries	2.8%	2.8%
Rate of increase in pensions payment	3.0%	3.0%
Discount rate	4.8%	1.9%
Inflation	2.8%	2.8%

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

Group and Company

	2022 £	2021 £
Male aged 60 now	26.6 years	26.5 years
Male aged 45 now, from 60	27.6 years	27.6 years
Female aged 60 now	29.2 years	29.2 years
Female aged 45 now, from 60	30.3 years	30.2 years

22.6 Both schemes financial data**(i) Analysis of the schemes assets:**

Both schemes	2022 £	2021 £
Pension contracts	40,482,000	51,480,000
Equities	13,640,000	11,533,800
Debt securities	5,580,000	8,834,400
Cash and other assets	3,080,000	4,171,800
Market value of assets	62,782,000	76,020,000
Present value of liabilities	(55,409,000)	(90,885,000)
Net pension asset / (liability)	7,373,000	(14,865,000)

(ii) Analysis of amounts charged to operating profit:

Both schemes	2022 £	2021 £
Current service cost	(2,215,000)	(2,550,000)
Administration costs	(30,000)	(30,000)

(iii) Analysis of amounts charged to finance costs:

Both schemes	2022 £	2021 £
Net interest on net defined benefit liability	(302,000)	(308,000)

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

Both schemes	2022 £	2021 £
Actuarial gain arising during the year	37,359,000	7,567,000
Return on plan assets less than discount rate	(15,372,000)	(3,647,000)
Actuarial gain recognised in consolidated statement of comprehensive income	21,987,000	3,920,000

(v) Amounts included in the statement of financial position arising from the company's obligations in respect of its defined benefit schemes:

Both schemes	2022 £	2021 £
Actuarial gain arising during the year	37,359,000	7,567,000
Return on plan assets less than discount rate	(15,372,000)	(3,647,000)
Actuarial gain recognised in consolidated statement of comprehensive income	21,987,000	3,920,000

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

Both schemes	2022 £	2021 £
At 1st January	(90,885,000)	(96,575,000)
Current service cost	(2,215,000)	(2,550,000)
Interest costs	(1,752,000)	(1,484,000)
Actuarial gain / (loss)	37,359,000	7,567,000
Benefits paid	2,194,000	2,257,000
Administrative costs paid	(30,000)	(30,000)
Participants' contributions	(80,000)	(70,000)
At 31st December	(55,409,000)	(90,885,000)

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

Both schemes	2022 £	2021 £
At 1st January	76,020,000	77,655,000
Return on plan assets	(15,372,000)	(3,647,000)
Interest income	1,450,000	1,176,000
Employer contributions	2,798,000	3,023,000
Benefits paid	(2,194,000)	(2,257,000)
Participants' contributions	80,000	70,000
At 31st December	62,782,000	76,020,000

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 2022, the group and the company have ongoing commitments for capital expenditure of £5,339,300 (2021: £4,973,200).

The latest operational capital budget for 2022 for the group and the company is £8,497,900 (2021 group and company: £9,200,000).

25 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.

26 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.

27 Subsequent events

There have been no significant events after the reporting date to disclose in the financial statements.

28 Financial commitments

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

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
Due within one year	466,100	454,500	286,100	293,200
Due between one and five years	408,400	680,000	228,000	-
Due later than five years	-	-	-	-
Total commitments	874,500	1,134,500	514,100	293,200

End

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