Credit Finance Company Limited

Annual report
for the year ended 31 December 2014

Registered number: 107372

Credit Finance Company Limited

Annual report for the year ended 31 December 2014

Directors' report for the year ended 31 December 2014

The directors present their annual report and the audited financial statements of Credit Finance Company Limited (the "company") for the year ended 31 December 2014.

Principal activities

Credit Finance Company Limited is registered in Gibraltar as a private company limited by shares. It was set up to provide finance on projects considered to be of benefit to the economy and the community. This includes the issue of commercial loans and the funding of pension commutations under the Pensions Act and lump sum retirement under the Early Exit Scheme.

Review of business and future developments

The company continued to fund the commutation of pensions under the Pensions Act. During the year, the company entered into an agreement with the Government of Gibraltar to fund the lump sum retirement payments under the Early Exit Scheme.

The company's long term funding is from its issue of ordinary share capital and redeemable preference shares. During the year, the company issued 20,000,000 ordinary shares of £1 each and an additional 9,524,100 redeemable preference shares to the Gibraltar Savings Bank.

The company continued to issue a select number of commercial loans on projects that the Government considers to be of benefit to the economy and the community. In addition, the company holds fixed rate notes issued by Gibraltar Investment (Holdings) Limited.

Results and dividends

The company's profit for the financial year is shown on page 5 and shows that the company made a profit during the current year of £2,177,060 (2013: £975,224).

The directors do not recommend the payment of a dividend during the current year or preceding period. The profit during the year of £2,177,060 (2013: £975,224) was transferred to reserves.

Directors

The directors who held office during the year and up to the date of signing these financial statements are given below:

Dilip Dayarm Tirathdas	(appointed on 17 February 2012, resigned on 31 August 2014)
Christine Victory	(appointed on 17 February 2012, resigned on 24 November 2014)
Ernest Gomez	(appointed on 25 May 2012, resigned on 24 November 2014)
Francis Clive Carreras	(appointed on 1 November 2013, resigned on 24 November 2014)
GDC (Directors) Limited	(appointed on 24 November 2014)

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with the applicable law and Gibraltar Accounting Standards (Gibraltar Generally Accepted Accounting Practice), including Gibraltar Financial Reporting Standard 102 ('GFRS 102'), The Financial Reporting Standard applicable in Gibraltar. The directors early adopted GFRS 102 in the preparation of these financial statements.

Directors' report for the year ended 31 December 2014 - continued

Statement of directors' responsibilities - continued

Under Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable Gibraltar Accounting Standards, including GFRS 102 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 will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act and Companies (Accounts) Act 1999. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

For each director in office at the date the directors' report is approved, the directors confirm:

- as far as they are aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers Limited, have indicated their willingness to continue in office and a resolution concerning their appointment will be proposed at the Annual General Meeting.

Secretary and registered office

The current company secretary is GOC (Secretaries) Limited and the registered office address is 206-210 Main Street, Gibraltar.

By order of the board,

GOC (Secretaries) Limited C. SANTOS
Company Secretary

Gibraltar,

Date 06 NOV 2018

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**Independent auditors' report to the members of
Credit Finance Company Limited**

Report on the financial statements

We have audited the financial statements of Credit Finance Company Limited for the year ended 31 December 2014 which comprise the profit and loss account, the balance sheet, the statement of cash flows, the statement of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 182 of the Companies Act 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.

Directors' responsibilities for the financial statements

The directors are responsible for the preparation and true and fair presentation of these financial statements in accordance with applicable law in Gibraltar and Gibraltar Accounting Standards ("Gibraltar Generally Accepted Accounting Practice"). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Registered in Gibraltar: Number 94799

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Independent auditors' report to the members of Credit Finance Company Limited - continued

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of the company's profit and cash flows for the year then ended;
- have been properly prepared in accordance with Gibraltar Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Companies Act and the Companies (Accounts) Act 1999.

Opinion on other matter prescribed by the Companies (Accounts) Act 1999

In our opinion 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 requires us to report to you if, in our opinion:

- the company has not kept proper accounting records; or
- if information specified by law regarding directors' remuneration and other transactions is not disclosed; or
- we have not received all the information and explanations we require for our audit.

Colin Vaughan
Statutory auditor
For and on behalf of
PricewaterhouseCoopers Limited
Gibraltar
6 November 2018

Profit and loss account for the year ended 31 December 2014

	Note	2014 £	2013 £
Interest income	5	**27,971,491**	18,219,947
Finance costs	6	**(22,453,223)**	(15,644,472)
Net finance income		**5,518,268**	2,575,475
Rental income	11	**157,323**	232,500
Net foreign exchange loss		**(675,138)**	(93,435)
Administrative expenses		**(92,440)**	(66,505)
Profit on ordinary activities before taxation	7	**4,908,013**	2,648,035
Tax on ordinary activities	10	**(2,730,953)**	(1,672,811)
Profit for the financial year		**2,177,060**	975,224

The company has no recognised gains and losses other than the profit for the financial year above and therefore no separate statement of other comprehensive income has been presented.

All items included above relate to continuing operations.

Balance sheet as at 31 December 2014

	Note	**2014** **£**	2013 £
Fixed assets			
Investment property	11	-	4,680,484
Investment in subsidiary	12	**100,000**	100,000
Investments: financial asset at amortised cost	13	**28,749,881**	18,090,598
		28,849,881	22,871,082
Current assets			
Investments: financial asset at amortised cost	13	**4,296,731**	1,616,294
Debtors: amounts receivable after more than one year	14	**49,222,600**	45,925,419
Debtors: amounts receivable within one year	14	**353,840,709**	365,720,152
		407,360,040	413,261,865
Creditors: amounts falling due within one year	15	**(104,617,913)**	(93,832,799)
Net current assets		**302,742,127**	319,429,066
Total asset less current liabilities		**331,592,008**	342,300,148
Creditors: amounts falling due after more than one year	16	**(298,255,600)**	(331,140,800)
Net assets		**33,336,408**	11,159,348
Capital and reserves			
Share capital	17	**30,000,000**	10,000,000
Retained earnings		**3,336,408**	1,159,348
Total equity		**33,336,408**	11,159,348

The financial statements on pages 5 to 19 were approved by the board of directors on 06 NOV 2018 and were signed on its behalf by:

A. MENA

For and on behalf of
GDC (Directors) Limited
Director

The notes on pages 9 to 19 form an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2014

	Note	Called up share capital £	Retained earnings £	Total £
At 1 January 2013		8,500,000	184,124	**8,684,124**
Proceeds from the issue of ordinary shares		1,500,000	-	**1,500,000**
Profit for the financial year		-	975,224	**975,224**
At 31 December 2013		10,000,000	1,159,348	**11,159,348**
Proceeds from the issue of ordinary shares	17	20,000,000	-	**20,000,000**
Profit for the financial year		-	2,177,060	**2,177,060**
At 31 December 2014		**30,000,000**	**3,336,408**	**33,336,408**

The notes on pages 9 to 19 form an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2014

	Note	2014 £	2013 £
Cash flow used in operating activities	18	**(32,026,047)**	(20,038,442)
Interest received from loans	14	**2,724,359**	1,605,596
Tax paid		**(1,572,612)**	-
Net cash used in operating activities		**(30,874,300)**	(18,432,846)
Cash flow from investing activities			
Disposal/(acquisition) of investment property	11	**4,680,484**	(4,680,484)
Investment in subsidiary		-	(100,000)
Maturity/(acquisition) of fixed rate notes	14	**10,000,000**	(360,843,900)
Interest received from fixed rate notes	14	**23,460,633**	15,697,415
Acquisition of investments	13	**(13,765,726)**	(11,847,595)
Cash inflow from investments	13	**2,212,505**	1,091,509
Net cash generated from/(used in) investing activities		**26,587,896**	(360,683,055)
Cash flow from financing activities			
Proceeds from the issue of share capital	17	**20,000,000**	1,500,000
Proceeds from the issue of preference shares	17	**9,524,100**	390,475,900
Interest paid on issued preference shares	16	**(22,401,024)**	(14,080,082)
(Redemption)/issuance of fixed rate notes		**(2,784,473)**	2,784,473
Interest paid on issued fixed rate notes	6	**(52,199)**	(1,564,390)
Net cash generated from financing activities		**4,286,404**	379,115,901
Net movement of cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		-	-

The notes on pages 9 to 19 form an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2014

1 General information

The company is registered in Gibraltar as a private company limited by shares and it is wholly owned by Gibraltar Development Corporation, a statutory body established under the Gibraltar Development Corporation Act, by virtue of its 100% ownership of the company's ordinary share capital.

Credit Finance Company Limited is a money-lending institution. It was set up to provide finance on projects considered to be of benefit to the economy and the community. This includes the issue of commercial loans and the funding of pension commutations under the Pensions Act and lump sum retirement under the Early Exit Scheme.

2 Statement of compliance

The financial statements of the company have been prepared in compliance with Gibraltar Accounting Standards, including Gibraltar Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in Gibraltar' ('GFRS 102'), the Companies Act, Companies (Accounts) Act 1999 and Companies (Consolidated Accounts) Act 1999. GFRS 102 was early adopted by the company for the year ended 31 December 2014.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the company accounting policies. The areas which require a higher degree of judgement or complexity or where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Consolidation

On 31 December 2014, the company owned 100% of Gibraltar Home Loans Company Limited.

The group is considered to be a small-sized group as defined under Section 14 of the Companies (Consolidated Accounts) Act 1999. The company has therefore taken advantage of the exemption from preparing consolidated financial statements under Section 13 (1) of that Act.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of finance in the ordinary course of the company's activities. The company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity and when specific criteria have been met as described below.

(i) Income from investments

Income from investments are recognised on an accrual basis. The amount represents the annual interest of 6.5% on the gratuities paid to the civil servants who have elected to commute a percentage of their pension that is payable under the Pensions Act and on the lump sum retirement paid to the employees under the Early Exit Scheme.

Notes to the financial statements for the year ended 31 December 2014 - continued

3 Summary of significant accounting policies - continued

Revenue recognition - continued

(ii) Interest income

Interest income for all interest bearing financial instruments is recognised on an accrual basis using the effective interest method.

(iii) Rental income

Rental income represents income on the lease of the company's property and is accounted for on an accrual basis.

Current tax

Where necessary, provision is made at the applicable rate for corporation tax payable on the profits for the period, as adjusted for tax purposes.

Investment in subsidiary

Investment in a subsidiary is held at cost less accumulated impairment losses.

Investment property

Investment property is carried in the balance sheet at its fair value. Changes in the fair value of the investment property are reflected in the profit and loss account. However, as fair value gains or losses on investment property are not realised profits or losses, the company can choose to transfer such fair value movements to revaluation reserves instead of a transfer to profit or loss reserves. The option of transferring the fair value movements to revaluation reserves will assist them in the identification of distributable reserves. The directors opted to apply this policy. During the year, the company sold the investment property.

Financial instruments

The company has chosen to adopt Sections 11 and 12 of GFRS 102 in respect of financial instruments. All of the company's financial instruments are measured at amortised cost.

(i) Financial assets

Basic financial assets are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at the effective rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment or bad debt. If an asset is impaired or provided for, the impairment loss or bad debt write-off is recognised in profit and loss account.

Financial assets are derecognised when (a) contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risk and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated or third party without imposing additional restrictions.

Notes to the financial statements for the year ended 31 December 2014 - continued

3 Summary of significant accounting policies - continued

Financial instruments - continued

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measure at the present value of the future receipts discounted at a market rate of interest.

Financial liabilities, including other creditors and accruals are classified as creditor amounts due within one year if payment is due within one year or less. If not, they are presented as creditor amounts due after more than one year. Other creditors and accruals are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Preference shares, which result in fixed returns to the holder or are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the profit and loss account as an interest expense.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the debtor and settle the creditor simultaneously.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the entity's accounting policies

Investment: financial asset at amortised cost

The company entered into an agreement with the Government of Gibraltar and individual pensioners to finance the gratuities that are payable to civil servants who have elected to commute a percentage of their pension that is payable under the Pensions Act. At the point of retirement, each pensioner seeking a gratuity in respect of part or the whole of their pension enters into an agreement with the Government of Gibraltar and the company to assign part or the whole of their pension as applicable to the company. The pensioner receives their commutation from the company; the Government of Gibraltar then pays the equivalent of the corresponding pension directly to the company. The company charges interest at 6.5% on the outstanding balance until this is repaid in full.

During the year, the company entered into additional agreements with the Government of Gibraltar and each eligible retiring employee. The Government has agreed a number of Early Exit schemes with eligible retiring employees payable over 10 years (the "Early Exit Scheme payments"). The agreements allow the employee to assign the Early Exit Scheme payments receivable to the company in exchange for an up-front lump sum payable by the company. The Government of Gibraltar then pays the assigned Early Exit Scheme payments to the company over the period of 10 years. The company charges interest at 6.5% on the outstanding balance until this is repaid in full.

The directors analysed the economic substance of the arrangement, noting that the company's initial cash outflow secures future cash inflows for future periods. As a result, the directors opted to classify the financial asset as an investment measured at amortised cost.

Notes to the financial statements for the year ended 31 December 2014 - continued

4 Critical accounting judgements and estimation uncertainty - continued

(a) Critical judgements in applying the entity's accounting policies - continued

Redeemable preference shares

The company issued redeemable preference shares that the directors have classified as a financial liability. The directors consider that there is a legally binding agreement that results in an obligation for the company to deliver cash or another financial asset. The redemptions of each share issue are set at the date of issue, resulting in a fixed future redemption date. The redemption date can be extended by the holder of the shares. At the date of each issue, the interest is set at a fixed rate which is payable on an annual basis.

As a result of the terms of each issue of redeemable preference share, the directors have classified the redeemable preference shares as a financial liability and presented the interest payable on those shares as an interest expense in the profit and loss account.

(b) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows.

Recoverability of financial investments measured at amortised cost and debtors

The company's debtors and financial investment measured at amortised cost are subject to the requirement for the directors to conduct an impairment review at the end of each reporting period. In conducting the review, the directors first assess whether there is objective evidence that a financial asset has suffered an impairment by reviewing factors including but not limited to, observable data about the counterparty and the economy in which it operates. Where there is objective evidence that a financial asset has suffered an impairment loss, the directors compare the asset's carrying value against the present value of estimated cash flows, realising an impairment charge if necessary.

In performing this assessment, the directors consider the financial ability of the counterparty to make the contractual payments, as well as its financial position taking into account the Gibraltar economy and any other aspects that could result in difficulty in the counterparty meeting its obligations to the company.

As a result of the above, the directors do not believe that there are any impairment indicators that would require an adjustment to the carrying value of the assets.

5 Interest income

	Note	**2014 £**	2013 £
Interest income from investments	13	**1,786,499**	916,936
Interest income from loans	14	**2,724,359**	1,605,596
Income from fixed rate notes	14	**23,460,633**	15,697,415
		27,971,491	18,219,947

Notes to the financial statements for the year ended 31 December 2014 - continued

6 Finance costs

	Note	**2014** £	2013 £
Interest paid on issued fixed rate notes		**52,199**	1,564,390
Interest paid on issued preference shares	16	**22,401,024**	14,080,082
		22,453,223	15,644,472

7 Profit on ordinary activities

	2014 £	2013 £
Profit on ordinary activity is stated after charging:		
Audit fees	**9,000**	7,000

8 Directors' emoluments

There were no directors' emoluments paid during the current or preceding year.

9 Employee information

The company has no employees during the current or preceding year.

10 Tax on ordinary activities

Analysis of tax charge in the year

Current taxation	**2014** £	2013 £
Current tax charge for the year	**2,730,903**	1,672,811
Tax penalty	**50**	-
	2,730,953	1,672,811

Notes to the financial statements for the year ended 31 December 2014 - continued

10 Tax on ordinary activities - continued

Factors affecting tax charge for the year

		2014 £	2013 £
Profit on ordinary activities before taxation		**4,908,013**	2,648,035
Notional tax at 10%		**490,801**	264,803
Non-deductible expenses	(i)	**2,240,102**	1,408,008
Tax charge for the year		**2,730,903**	1,672,811

(i) In accordance with guidance issued by the Commissioner of Income Tax to the Gibraltar Society of Accountants in August 2013, interest paid on redeemable preference shares should be treated as a dividend payment for tax purposes, irrespective of the accounting treatment. Accordingly this interest paid has not been allowed as a tax expense in computing the assessable income of the company

11 Investment property

	2014 £	2013 £
Investment property	-	4,680,484

During the year, the investment property was sold for £4,680,484.

Before the property was sold, it was leased to a related party under a long-term operating lease with rentals payable monthly. The income earned during the year was £157,323 (2013: £232,500).

12 Investment in subsidiary

	Place of incorporation	Number of shares held	Percentage held	2014 £	2013 £
Gibraltar Home Loans Company Limited	Gibraltar	100,000 shares at £1 each	100%	**100,000**	100,000

The investment in subsidiary is held at cost.

At 31 December 2014, the subsidiary had not yet started trading. The net assets of Gibraltar Home Loans Company Limited as at 31 December 2014 were £97,811 (2013: £98,934) and it incurred a loss for the financial year of £1,123 (2013: £1,066).

The company transferred all of its shares in the subsidiary to Gibraltar Investment (Holdings) Limited on 31 August 2015 for £100,000.

Notes to the financial statements for the year ended 31 December 2014 - continued

13 Investments: financial assets at amortised cost

	2014 £	2013 £
Fixed asset investments:		
Investments in financial asset at amortised cost	**28,749,881**	18,090,598
Current asset investments:		
Investments in financial asset at amortised cost	**4,296,731**	1,616,294
Total investments in financial asset at amortised cost	**33,046,612**	19,706,892

Movement in investments in financial asset at amortised cost	2014 £	2013 £
At 1 January	**19,706,892**	8,033,870
Acquisition of investments	**13,765,726**	11,847,595
Interest accrued	**1,786,499**	916,936
Cash inflow from investments	**(2,212,505)**	(1,091,509)
At 31 December	**33,046,612**	19,706,892

The company entered into an agreement with the Government of Gibraltar and individual pensioners to finance the gratuities that are payable to civil servants who have elected to commute a part or the whole of their pension that is payable under the Pensions Act. The pensioner receives their commutation from the company; the Government of Gibraltar then pays the equivalent of the corresponding pension directly to the company. The company charges interest at 6.5% on the outstanding balance until this is repaid in full.

During the year, the company entered into additional agreements with the Government of Gibraltar and each eligible retiring employee. The Government has agreed a number of Early Exit schemes with eligible retiring employees payable over 10 years (the "Early Exit Scheme payments"). The agreements allow the employee to assign the Early Exit Scheme payments receivable to the company in exchange for an up-front lump sum payable by the company. The Government of Gibraltar then pays the assigned Early Exit Scheme payments to the company over the period of 10 years. The company charges interest at 6.5% on the outstanding balance until this is repaid in full.

The directors analysed the economic substance of the arrangement, noting that the company's initial cash outflow secures future cash inflows for future periods. As a result, the directors opted to classify the financial asset as an investment measured at amortised cost.

Notes to the financial statements for the year ended 31 December 2014 - continued

14 Debtors

Amounts receivable after more than one year		2014 £	2013 £
Loans receivable	(i)	**49,222,600**	45,925,419

Amounts receivable within one year		2014 £	2013 £
Loans receivable	(i)	**1,683,720**	819,739
Amounts due from a related party	(ii)	**1,299,125**	3,979,013
Fixed rate notes	(iii)	**350,843,900**	360,843,900
Other debtors		**13,964**	77,500
		353,840,709	365,720,152

(i) These amounts represent commercial loans receivable that were issued for projects that are considered to be of benefit to the economy and the community. The loans have average repayment terms of 5 years and accrued interest of £2,724,359 (2013: £1,605,596) during the year.

(ii) The amounts due from a related party represents cash held by HM Government of Gibraltar on behalf of the company. This amount is unsecured, interest free and have no fixed terms of repayment.

(iii) The company invested in fixed rate notes issued by a related party that accrue interest at the rate of 6.5% and 8% respectively and are repayable on demand. During the year, the company received proceeds from the repayment of fixed rate notes amounting to £10,000,000. The interest income earned and received during the year was £23,460,633 (2013: £15,697,415).

15 Creditors: amounts falling due within one year

	2014 £	2013 £
Accruals and other creditors	**21,903**	19,957
Corporation tax liability	**2,851,610**	1,693,269
Amounts owed to related parties	-	30,000,000
Redeemable preference shares (see note 16)	**101,744,400**	61,049,000
Fixed rate notes (see note 16)	-	1,070,573
	104,617,913	93,832,799

Notes to the financial statements for the year ended 31 December 2014 - continued

16 Creditors: amounts falling due after more than one year

		2014 £	2013 £
Redeemable preference shares	(i)	**298,255,600**	329,426,900
Fixed rate notes	(ii)	-	1,713,900
		298,255,600	331,140,800

(i) Redeemable preference shares represents 400,000,000 fully paid shares of £1 each. The shares are redeemable at a specific date specified at the time of issuance, which can be extended by the shareholder. Redeemable preference shares entitle the holder to dividends at a specified rate which is generally between 3 to 8 percent per annum. The total interest incurred and paid during the year was £22,401,024 (2013: £14,080,082). As the shares are mandatorily redeemable on a specified date, they are recognised as liabilities.

(ii) The fixed rate notes issued in the prior year were fully repaid during the year ended 31 December 2014.

17 Called up share capital

	2014 £	2013 £
Authorised		
30,000,000 (2013: 10,000,000) ordinary shares of £1 each	**30,000,000**	10,000,000
1,000,000,000 redeemable preference shares of £1 each	**1,000,000,000**	1,000,000,000
	1,030,000,000	1,010,000,000
Allotted and fully paid		
Equity		
30,000,000 (2013: 10,000,000) ordinary shares of £1 each	**30,000,000**	10,000,000
Liability		
400,000,000 (2013: 390,475,900) redeemable preference shares of £1 each	**400,000,000**	390,475,900

During the year, the company increased the authorised ordinary shares to 30,000,000 and subsequently issued the remaining 20,000,000 ordinary shares at £1 each for cash consideration.

On 31 January 2014, the company issued 9,524,100 redeemable preference shares at £1 each for cash consideration.

Notes to the financial statements for the year ended 31 December 2014 - continued

18 Notes to the cash flow statement

	2014 £	2013 £
Profit for the financial year	**2,177,060**	975,224
Adjustments for:		
Tax on profit on ordinary activities	**2,730,953**	1,672,811
Finance costs	**22,453,223**	15,644,472
Interest income	**(27,971,491)**	(18,219,947)
	(610,255)	72,560
Working capital movements:		
Increase in debtors	**(1,417,738)**	(50,124,959)
(Decrease)/increase in creditors	**(29,998,054)**	30,013,957
Cash flow used in operating activities	**(32,026,047)**	(20,038,442)

19 Related party transactions

The directors consider that the transactions during the year with related parties were as follows:

	2014 £	2013 £
Gibraltar statutory bodies		
Rental income	**157,323**	232,500
Finance cost	**(22,453,223)**	(15,644,472)
Government and entities under common control		
Interest income from investments	**1,786,499**	916,936
Income from fixed rate notes	**23,460,633**	15,697,415
Corporation tax expense	**(2,730,953)**	(1,672,811)

Notes to the financial statements for the year ended 31 December 2014 - continued

19 Related party transactions - continued

The directors consider that the balances with related parties as at 31 December were as follows:

	2014	2013
	£	£
Immediate parent		
Amounts owed to related parties	-	(20,000,000)
Gibraltar statutory bodies		
Loans receivable	**450,000**	450,000
Redeemable preference shares	**(400,000,000)**	(390,475,900)
Fixed rate notes	-	(2,784,473)
Government and entities under common control		
Investments in financial asset at amortised cost	**33,046,612**	19,706,892
Other debtors	**13,964**	77,500
Fixed rate notes	**350,843,900**	360,843,900
Amounts due from a related party	**1,299,125**	3,979,013
Amounts owed to related parties	-	(10,000,000)
Accruals and other creditors	**(12,903)**	(12,957)
Corporation tax liability	**(2,851,610)**	(1,693,269)

20 Immediate parent undertaking and ultimate controlling party

The immediate parent undertaking as at 31 December 2014 was the Gibraltar Development Corporation, a statutory body established by the Gibraltar Development Corporation Act.