Credit Finance Company Limited

Annual report
for the year ended 31 December 2022

Registered number: 107372

Credit Finance Company Limited

Annual report for the year ended 31 December 2022

Director's report for the year ended 31 December 2022

The director presents the annual report and the audited financial statements of Credit Finance Company Limited (the "company") for the year ended 31 December 2022.

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 payments under the various Early Exit Schemes.

Review of business and future developments

On 1 February 2022 and 1 April 2022, the company issued debentures with a value of £5,000,000 and £10,000,000 respectively, with interest payable at a rate of 4.5% and with maturity dates of 1 February 2025 and 1 April 2025. On the 1 April 2022, the company redeemed a debenture of £10,000,000.

On 30 March 2022, the company paid a dividend of £5,000,000 to its ordinary shareholders, the Gibraltar Savings Bank ("GSB") and the Gibraltar Development Corporation ("GDC"), in the following proportions; on account of GSB's 1 ordinary share in the company, the amount of £0.17 and on account of GDC's 29,999,999 ordinary shares in the company, the amount of £4,999,999.83.

On 30 June 2023, the company entered into an agreement with His Majesty's Government of Gibraltar ("HMGoG") in respect of the Pension Commutation Agreements (the "agreement"). The agreement has an effective date of 1 April 2012. As part of the agreement the company agreed to waive certain debts due from HMGoG. The amount waived as at the date of signing was £5,779,390. This amount was revised and agreed by both parties on 11 October 2023 to £6,037,102. The amount waived relates to debts that remained unpaid as at 30 June 2023 by HMGoG, in respect of pensioners who had passed away since the effective date of the agreement up to and including 30 June 2023. In substance, as HMGoG is the ultimate beneficial owner of the company, the waiver is considered as a distribution of reserves.

The director is satisfied in the performance of the company and it does not anticipate any change in the company's business (as described above) taking place in the foreseeable future.

Results and dividends

The profit during the year of £4,844,029 (2021: £6,622,830) was transferred to retained earnings.

The director paid a dividend of £5,000,000 during the current year (2021: £3,750,000).

Director

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

GDC (Directors) Limited

Statement of director's responsibilities

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Gibraltar company law requires the director to prepare financial statements for each financial year. Under that law, the director has prepared the financial statements in accordance with Gibraltar Accounting Standards and applicable law, including Gibraltar Financial Reporting Standard 102, The Financial Reporting Standard Applicable in Gibraltar ("GFRS 102").

Director's report for the year ended 31 December 2022 - continued

Statement of director's responsibilities - continued

Under Gibraltar company law, the director 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 of its profit or loss for that year. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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 will continue in business.

The director is 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 it to ensure that the financial statements comply with the Companies Act 2014. It is 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

At the date the director's report is approved, the director confirms:

- as far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that it ought to have as a director in order to make itself 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
Company Secretary

Gibraltar

Date 06 DEC 2023

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Independent auditor's report
To the members of Credit Finance Company Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the accompanying financial statements of Credit Finance Company Limited (the "company"):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its 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 requirements of the Companies Act 2014.

What we have audited

We have audited the financial statements of the company, which comprise:

- the balance sheet as at 31 December 2022;
- the profit and loss account for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

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

Independence

We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The director is responsible for the other information. The other information comprises the Director's Report for the year ended 31 December 2022 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Independent auditor's report
To the members of Credit Finance Company Limited - continued

Report on the audit of the financial statements - continued

Other information - continued

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

With respect to the Director's Report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2014 requires us also to report on certain opinions and matters as described below:

Director's Report

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

- the information given in the Director's Report for the year ended 31 December 2022 is consistent with the financial statements; and
- the Director's Report has been prepared in accordance with the requirements of the Companies Act 2014.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Director's Report.

Responsibilities of the director for the financial statements

The director is responsible for the preparation of financial statements that give a true and fair view in accordance with applicable law in Gibraltar and Gibraltar Financial Reporting Standards, and for such internal control as the director determines 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 director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Independent auditor's report
To the members of Credit Finance Company Limited - continued

Report on the audit of the financial statements - continued

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We communicate with the director 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.

Independent auditor's report
To the members of Credit Finance Company Limited - continued

Report on the audit of the financial statements - continued

Use of this report

This report, including the opinion on the financial statements and the opinions on other matters prescribed by the Companies Act 2014, 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.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

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

- we have received all the information and explanations we require for our audit.

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

6th December 2023

Profit and loss account for the year ended 31 December 2022

	Note	2022 £	2021 £
Interest income	5	**28,422,906**	30,223,697
Finance costs	6	**(22,935,742)**	(22,543,479)
Net finance income		**5,487,164**	7,680,218
Administrative expenses		**(42,482)**	(17,830)
Net foreign exchange gain/(loss)	13	**92,265**	(164,540)
Profit on ordinary activities before taxation	7	**5,536,947**	7,497,848
Tax on ordinary activities	10	**(692,918)**	(875,018)
Profit for the financial year		**4,844,029**	6,622,830

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 2022

	Note	2022 £	As restated 2021 £
Fixed assets			
Investment in participating interest	12	**17,446,376**	20,565,859
Investment in fixed income security	13	**3,546,616**	-
Investments: financial asset at amortised cost	14	**144,544,482**	137,149,389
		165,537,474	157,715,248
Current assets			
Investment in a listed fixed income security	13	-	3,454,351
Investments: financial asset at amortised cost	14	**6,007,125**	5,936,195
Investments in fixed rate notes	15	**276,843,900**	276,843,900
Debtors	16	**11,952,151**	11,578,240
		294,803,176	297,812,686
Creditors: amounts falling due within one year	17	**(1,887,656)**	(11,918,969)
Net current assets		**292,915,520**	285,893,717
Total assets less current liabilities		**458,452,994**	443,608,965
Creditors: amounts falling due after more than one year	18	**(418,000,000)**	(403,000,000)
Net assets		**40,452,994**	40,608,965
Capital and reserves			
Share capital	19	**30,000,000**	30,000,000
Capital redemption reserve		**4,001**	4,001
Retained earnings		**10,448,993**	10,604,964
Total equity		**40,452,994**	40,608,965

The financial statements on pages 7 to 23 were approved and signed by the director on 0 6 DEC 2023

For and on behalf of
GDC (Directors) Limited
Director

The notes on pages 11 to 23 form an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2022

	Note	Share capital £	Share premium £	Capital redemption reserves £	Retained earnings £	Total £
At 1 January 2021		30,000,000	-	3,908	7,732,227	**37,736,135**
Issuance of shares at a premium		93	9,249,907	-	-	**9,250,000**
Redemption of shares at a premium		(93)	(9,249,907)	-	-	**(9,250,000)**
Transfers		-	-	93	(93)	-
Dividends paid	11	-	-	-	(3,750,000)	**(3,750,000)**
Profit for the financial year		-	-	-	6,622,830	**6,622,830**
At 31 December 2021		30,000,000	-	4,001	10,604,964	**40,608,965**
Dividends paid	11	-	-	-	(5,000,000)	**(5,000,000)**
Profit for the financial year		-	-	-	4,844,029	**4,844,029**
At 31 December 2022		**30,000,000**	-	**4,001**	**10,448,993**	**40,452,994**

The notes on pages 11 to 23 form an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2022

	Note	2022 £	2021 £
Cash flow used in operating activities	20	**(1,768,425)**	(644,595)
Tax paid		**(800)**	(1,018,312)
Net cash used in operating activities		**(1,769,225)**	(1,662,907)
Cash flow from investing activities			
Interest received from fixed income investment	13	**201,108**	166,877
Interest received from loan to associate	12	**843,666**	2,591,995
Payments received from loan receivables		**683,254**	90,624
Maturity of fixed rate notes	15	**-**	3,000,000
Payment received from loan to associates		**3,119,483**	-
Interest received from fixed rate notes	5	**18,108,254**	18,140,309
Acquisition of investments	14	**(13,890,300)**	(13,627,596)
Cash inflow from investments	14	**15,670,815**	13,885,939
Net cash generated from investing activities		**24,736,280**	24,248,148
Cash flow used in financing activities			
Proceeds from issuance of debentures		**15,000,000**	-
Payment of debentures		**(10,000,000)**	-
Interest paid on debentures		**(22,967,055)**	(22,162,023)
Dividends paid		**(5,000,000)**	-
Interest paid on issued preference shares		**-**	(423,218)
Net cash used in financing activities		**(22,967,055)**	(22,585,241)
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 11 to 23 form an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2022

1 General information

The company is registered in Gibraltar as a private company limited by shares and its ordinary share capital is majority owned by Gibraltar Development Corporation ("GDC"), a statutory body established under the Gibraltar Development Corporation Act.

Credit Finance Company Limited is a licensed 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 payments under the various Early Exit Schemes.

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") and the Companies Act 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 and 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.

Foreign currency balances

(i) Functional and presentation currency

Items included in these financial statements are measured and presented using Gibraltar Pounds (£), the currency of the primary economic environment in which the company operates (the 'functional currency'), which is also the company's presentation currency.

(ii) Transactions and balances

Assets and liabilities denominated in foreign currencies are translated into Gibraltar Pounds at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Gibraltar Pounds at the rates ruling at the date of transaction. Profits and losses arising on translation of foreign currency are taken to the profit and loss account in the year in which they arise.

Notes to the financial statements for the year ended 31 December 2022 - continued

3 Summary of significant accounting policies - continued

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.

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

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 associate

Investment in associate is held at cost less accumulated impairment losses.

Impairment

Investments are subject to an impairment review if there are events or changes in circumstances that indicate that their carrying amount may not be fully recoverable. The impairment review comprises a comparison of the carrying amount of the assets with its recoverable amount, which is the higher of net realisable value and value in use. The carrying value of assets is written down by the amount of any impairment and this loss is recognised in the profit and loss account in the period in which it occurs. If an external event gives rise to the reversal of an impairment loss, the reversal is recognised in the profit and loss account by increasing the carrying amount of the 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.

Amounts due from related parties

The company's amounts due from related parties include cash in banks which are held by HM Government of Gibraltar. Since these are held by a related party, they are presented as amount due from/to a related party. They are presented on the net basis as there is a legally enforceable right to set off the recognised amount and there is an intention to settle on a net basis or to realise the asset and liability simultaneously.

Notes to the financial statements for the year ended 31 December 2022 - continued

3 Summary of significant accounting policies - continued

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.

(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 measured at the present value of the future payments 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 when they are issued. 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

Recoverability of financial investments measured at amortised cost, fixed income securities, fixed rate notes and debtors

The company's financial investments measured at amortised cost, fixed income securities, fixed rate notes and debtors are subject to the requirement for the director to conduct an impairment review at the end of each reporting period. In conducting the review, the director first assesses 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 director compares the asset's carrying value against the present value of estimated cash flows, realising an impairment charge if necessary.

In performing this assessment, the director considers 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.

After considering all of the above, the director does not believe that there are any impairment indicators that would require an adjustment to the carrying value of the assets.

Impairment of investment in associate

If there is an indication that the investment in the associate may be impaired, the director will compare the asset's carrying value with its recoverable amount. In determining impairment indicators, the director considers external sources of information including, technological, market, economical or environmental factors, and internal factors, such as the financial performance and position of the associate. The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use, which is defined as the present value of future cash flows as a result of the asset's continued use. Both the fair value and the value in use calculation require the director to estimate significant inputs that are required for the calculation. In performing the estimates, the director uses relevant information to support the calculation.

As a result of the above, the director does not believe that there are any impairment indicators that would require an adjustment to the carrying value of the asset.

(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. There are no 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.

Notes to the financial statements for the year ended 31 December 2022 - continued

5 Interest income

	Note	2022 £	2021 £
Income from loan to associate	12	**629,283**	2,951,048
Income from fixed income security	13	**201,108**	166,877
Income from investments	14	**9,246,538**	8,710,302
Income from fixed rate notes	15	**18,108,254**	18,140,309
Income from third-party loans	16	**237,723**	255,161
		28,422,906	30,223,697

6 Finance costs

	Note	2022 £	2021 £
Interest paid on issued preference shares		**-**	423,218
Interest on debentures	18	**22,935,742**	22,120,261
		22,935,742	22,543,479

7 Profit on ordinary activities

	2022 £	2021 £
Profit on ordinary activities is stated after charging:		
Audit fees	**17,000**	14,650
Other non-audit fees paid to the statutory auditors	**3,750**	2,500
Tax compliance services paid to the statutory auditors	**1,500**	1,200

8 Director's emoluments

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

9 Employee information

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

Notes to the financial statements for the year ended 31 December 2022 - continued

10 Tax on ordinary activities

(a) Analysis of tax charge in the year

Current taxation	2022 £	2021 £
Current tax charge for the year	**692,118**	874,618
Under accrual of prior year tax	**800**	400
	692,918	875,018

(b) Factors affecting tax charge for the year

		2022 £	2021 £
Profit on ordinary activities before taxation		**5,536,947**	7,497,848
Notional tax at applicable rates*	(i)	**692,118**	827,887
Effects of:			
Non-deductible expenses	(ii)	-	46,731
Tax charge for the year		**692,118**	874,618

* On 1 August 2021 the Gibraltar corporate tax rate increased from 10% to 12.5%. The results of the company for the previous year were pro-rated so any taxable profits prior to 1 August was subject to 10% and any taxable profits after this date was subject to tax at the higher rate of 12.5%.

(i) The company is a money-lending institution hence all interest income is integral part of the company's revenue and is taxable.

(ii) 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 Dividends paid

	2022 £	2021 £
Ordinary shares		
Dividends paid of £0.167 (2021: £0.125) per share	**5,000,000**	3,750,000

On 30 March 2022, the company paid a dividend of £5,000,000 to its ordinary shareholders, the Gibraltar Savings Bank ("GSB") and Gibraltar Development Corporation ("GDC"), in the following proportions:

(i) On account of GSB's 1 ordinary share in the Company, the amount of £0.17; and

(ii) On account of GDC's 29,999,999 ordinary shares in the Company, the amount of £4,999,999.83.

Notes to the financial statements for the year ended 31 December 2022 - continued

12 Investment in participating interest

	2022 £	2021 £
Investment in associate	**6,576,840**	6,576,840
Loans to associate	**10,869,536**	13,989,019
	17,446,376	20,565,859

The investment represents an equity interest held in the associate that was incorporated to develop an onshore small-scale liquefied natural gas receiving and regasification terminal in Gibraltar. It is expected to produce a return in excess of 6%. The net assets of Shell LNG Gibraltar Limited ("Shell LNG") were £12,423,636 at 31 December 2022 (2021: £10,579,537) and the company recorded a profit of £1,844,099 (2021: £2,282,253). The year end financial position and the financial results of Shell LNG are based on the most recent audited financial statements available.

The capitalisation of Shell LNG is to be in proportion of 20% by equity participation in the form of shares and 80% by shareholders loan. As at 31 December 2022, the total loan provided by the company was £10,869,536 (2021: £13,989,019) and is repayable on 31 December 2030. The loan accrues interest at an annual rate of 5%, interest is receivable quarterly in arrears. The total interest accrued during the year was £629,283 (2021: £2,951,995), and the total receivable of £144,670 (2021: £359,053) was outstanding as of 31 December 2022 (see note 15).

Company name	Place of incorporation	Number of shares held	Percentage held	2022 £	2021 £
Shell LNG Gibraltar Limited	Gibraltar	343 shares of £1 each	49%	**6,576,840**	6,576,840

13 Investment in fixed income security

	2022 £	2021 £
Fixed assets:		
Investment in bonds	**3,546,616**	-
Current assets:		
Investment in bonds	-	3,454,351

Notes to the financial statements for the year ended 31 December 2022 - continued

13 Investment in fixed income security - continued

The amount represents the €4,000,000 (2021: €4,000,000) listed bond that was issued at 99% of the nominal value. The bond accrues interest at EURIBOR (3 months) plus a floating rate margin of 5%, interest is receivable quarterly in arrears. The bond was previously repayable on 5 September 2022. However, the repayment date has been extended by 18 months, and the bond is now repayable on 24 March 2024. The bond is measured at amortised cost. The total interest income of £201,108 (2021: £166,877) was recognised during the year. As at year end, the investment was revalued to £3,546,616 (2021: £3,454,351) resulting in a foreign exchange gain of £92,265 (2021: loss of £164,540).

14 Investments: financial assets at amortised cost

	2022 £	2021 £
Fixed asset investments:		
Investments in financial asset at amortised cost	**144,544,482**	137,149,389
Current asset investments:		
Investments in financial asset at amortised cost	**6,007,125**	5,936,195
Total investments in financial asset at amortised cost	**150,551,607**	143,085,584

Movement in investments in financial asset at amortised cost	**2022** **£**	2021 £
At 1 January	**143,085,584**	134,633,625
Acquisition of investments	**13,890,300**	13,627,596
Interest accrued	**9,246,538**	8,710,302
Cash inflow from investments	**(15,670,815)**	(13,885,939)
At 31 December	**150,551,607**	143,085,584

The company holds an agreement with HM 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; HM 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.

HM Government of Gibraltar also holds an agreement in respect of Early Exit Schemes with Credit Finance Company Limited and the eligible retiring employees payable over 10 years (the 'Early Exit Schemes payments'). The agreement allows the employee to assign the Early Exit Scheme payments receivables to the company, in exchange for an up-front lump sum payable by the company. HM 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.

Notes to the financial statements for the year ended 31 December 2022 - continued

14 Investments: financial assets at amortised cost - continued

The director 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 director opted to classify the financial asset as an investment measured at amortised cost.

The portion of this financial asset shown under current assets represents the expected repayments receivable in the 12 months following the year end.

15 Investments in fixed rate notes

	2022 £	As restated 2021 £
Fixed rate notes	**276,843,900**	276,843,900

The company invested in fixed rate notes issued by a related party that accrue interest at the rate of 6.5% and 8% respectively. The fixed rate notes are repayable on demand at the option of the company. During the year, the company did not redeem any of the fixed rate notes (2021: £3,000,000). The interest income earned and received during the year was £18,108,254 (2021: £18,140,309).

16 Debtors

		2022 £	As restated 2021 £
Loans receivable	(i)	**6,693,664**	7,139,195
Amounts due from a related party	(ii)	**3,262,419**	1,542,233
Interest receivable from loans to associate (see note 12)		**144,670**	359,053
Other debtors		**11,513**	5,756
Corporation tax asset	(iii)	**1,839,885**	2,532,003
		11,952,151	11,578,240

(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 earned of £237,723 (2021: £255,161) 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 applied a tax credit to the tax charge during the year which amounted to £692,118. The client deemed this balance to be the remaining tax asset to be offset against future tax payables.

Notes to the financial statements for the year ended 31 December 2022 - continued

17 Creditors: amounts falling due within one year

		2022 £	2021 £
Accruals and other creditors		**92,876**	92,876
Interest payable on debentures (see note 18)		**1,794,780**	1,826,093
Debentures	(i)	**-**	10,000,000
		1,887,656	11,918,969

(i) The company redeemed a £10,000,000 non-convertible debenture with a maturity date of 1 April 2022, bearing interest at 3% per annum payable monthly in arrears.

18 Creditors: amounts falling due after more than one year

	2022 £	2021 £
Debentures	**418,000,000**	403,000,000

The debentures have varying maturity terms of 3 to 10 years and interest at 3% to 6% per annum payable monthly in arrears. The total interest incurred on debentures during the year was £22,935,742 (2021: £22,120,261). A balance of £1,794,780 (2021: £1,826,093) was outstanding at the year end in relation to interest on debentures incurred.

During the year, the company created and issued non-convertible debentures of £5,000,000 and £10,000,000 each with maturity dates of 1 February 2025 and 1 April 2025, respectively. The debentures bear interest at 4.5% per annum payable monthly in arrears.

Maturity date	Interest rate	2022 £	2021 £
Non-current debentures			
1 April 2024	4%	**65,000,000**	65,000,000
1 April 2024	5%	**40,750,000**	40,750,000
1 April 2024	6%	**275,000,000**	275,000,000
1 April 2024	5%	**9,250,000**	9,250,000
1 February 2025	4.5%	**5,000,000**	-
1 April 2025	4.5%	**10,000,000**	-
1 January 2029	6%	**9,250,000**	9,250,000
1 March 2031	6%	**3,750,000**	3,750,000
		418,000,000	403,000,000

Notes to the financial statements for the year ended 31 December 2022 - continued

19 Called up share capital

	2022 £	2021 £
Authorised		
30,000,000 ordinary shares of £1 each	**30,000,000**	30,000,000
1,000,000,000 redeemable preference shares of £1 each	**1,000,000,000**	1,000,000,000
	1,030,000,000	1,030,000,000
Allotted and fully paid		
30,000,000 ordinary shares of £1 each	**30,000,000**	30,000,000

20 Notes to the cash flow statement

	2022 £	2021 £
Profit for the financial year	**4,844,029**	6,622,830
Adjustments for:		
Tax on profit on ordinary activities	**692,918**	875,018
Finance costs	**22,935,742**	22,543,479
Interest income	**(28,422,906)**	(30,223,697)
Net foreign exchange (gain)/loss	**(92,265)**	164,540
	(42,482)	(17,830)
Working capital movements:		
Increase in debtors	**(1,725,943)**	(641,027)
Increase in creditors	-	14,262
Cash flow used in operating activities	**(1,768,425)**	(644,595)

(a) Analysis of changes in net debt

	At 1 January 2022 £	Cashflows £	Interest accrued £	At 31 December 2022 £
Debentures (including interest payable)	(414,826,093)	17,967,055	(22,935,742)	**(419,794,780)**

Notes to the financial statements for the year ended 31 December 2022 - continued

21 Related party transactions

The director considers that the transactions during the year with related parties were as follows:

	2022 £	2021 £
Gibraltar statutory bodies		
Finance cost	**(22,935,742)**	(22,543,479)
Government and entities under common control		
Interest income from investments	**9,246,538**	8,710,302
Income from fixed rate notes	**18,108,254**	18,140,309
Corporation tax expense	**(692,918)**	(875,018)
Associate		
Interest income from associate	**629,283**	2,951,048

The director considers that the balances with related parties as at 31 December were as follows:

	2022 £	2021 £
Gibraltar statutory bodies		
Debentures (including interest payable)	**(419,794,780)**	(414,826,093)
Government and entities under common control		
Investments in financial asset at amortised cost	**150,551,607**	143,085,584
Fixed rate notes	**276,843,900**	276,843,900
Advances	**3,262,419**	1,542,233
Corporation tax asset	**1,839,885**	2,532,003
Associate		
Investment in associate	**6,576,840**	6,576,840
Loans to associate	**10,869,536**	13,989,019
Interest receivable from loans to associate	**144,670**	359,053

22 Immediate parent undertaking and ultimate controlling party

The immediate parent undertaking and ultimate controlling party as at 31 December 2022 was the Gibraltar Development Corporation, a statutory body established by the Gibraltar Development Corporation Act.

Notes to the financial statements for the year ended 31 December 2022 - continued

23 Events after the end of the reporting period

On 15 February 2023, a resolution was made to declare an interim dividend of £500,000.

On 30 June 2023, the company entered into an agreement with His Majesty's Government of Gibraltar ("HMGoG") in respect of the Pension Commutation Agreements (the "agreement"). The agreement has an effective date of 1 April 2012. As part of the agreement the company agreed to waive certain debts due from HMGoG. The amount waived as at the date of signing was £5,779,390. This amount was revised and agreed by both parties on 11 October 2023 to £6,037,102. The amount waived relates to debts that remained unpaid as at 30 June 2023 by HMGoG, in respect of pensioners who had passed away since the effective date of the agreement up to and including 30 June 2023. In substance, as HMGoG is the ultimate beneficial owner of the company, the waiver is considered as a distribution of reserves

24 Change in presentation

During the year, the company changed its presentation of debtors to create a separate financial statement line item for investments in fixed rate notes. The change in presentation aims to highlight the substance of the investment in fixed rate notes as a type of investment in its own right, by clearly showing it on the face of the balance sheet. Comparatives have been restated to conform to the change in presentation and adjustments are as follows:

	Before restatement 2021 £	Adjustment £	As restated 2021 £
Debtor	288,422,140	(276,843,900)	11,578,240
Investments in fixed rate notes	-	276,843,900	276,843,900