

# Gibraltar

Financial Services  
Commission  
Annual Report 2004





Financial Services Commission  
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**Our Mission Statement**

“To provide effective regulation and supervision of Gibraltar’s financial services sector in line with international standards, thereby protecting, so far as possible, the interests of customers and potential customers of financial products and services, as well as the public at large, and so supporting the preservation and further enhancement of Gibraltar as a quality finance centre.”

**Financial Statements**

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# Commission's report for the year ended 31 March 2004

## Introduction from the Commissioner

*Welcome to the Annual Report of the Gibraltar Financial Services Commission. This report contains a description of the work of the Commission as well as its reports and accounts.*

*For those of you familiar with the format of the report in previous years you will notice a difference. Reports from the individual divisions have been replaced by an overall assessment. The aim is to provide a concise and clear overview of the year covered by the report. We have also included a description of the duties of the Commission and how we approach meeting those duties. For the first time we have also included how we interpret the statutory requirement concerning 'matching' UK standards.*

*Additionally, the report no longer contains a list of licensed entities. This information is maintained on the Commission's highly regarded website ([www.fsc.gi](http://www.fsc.gi)) where it is regularly update whereas any list included in an annual report is likely to be out of date by the time the report is published.*

*I commend the report to you.*

*Marcus Killick  
Commissioner and Chairman*

*\* For easier reading the word Commission has been used to cover the work of the Commissioner and his staff as well as the Commission itself.*

## The Commission and its duties

The Commission is organised by industry groups with separate divisions covering banking, investment services, insurance and fiduciary services. These are supported by an enforcement division whose prime role is to detect and take action against firms conducting unlicensed financial services activities. The divisions are also supported by both administrative and strong IT resources.

The work of the Commission is designed to fulfil its statutory duties. These duties are set out in the Financial Services Commission Ordinance and include:

- (a) to keep under review both the operation of Gibraltar legislation relating to financial services and the effectiveness of the supervision of institutions licensed to provide any financial services.*
- (b) in respect of financial services in those areas where Community law applies, to monitor the extent to which Gibraltar legislation and supervision of licensed institutions -
  - (i) comply with Community obligations; and*
  - (ii) establish and implement standards which match those required by legislation and supervisory practice governing the provision of financial services within the United Kingdom.**
- (c) to seek through the provision of effective services for the supervision of finance business to protect the public against financial loss arising out of dishonesty, incompetence or malpractice on the part of persons engaged in finance business in Gibraltar;*
- (d) to advise the Government of Gibraltar and the Government of the United Kingdom on matters concerning financial services, having regard, in particular, to any matter arising in the course of the discharge by the Commission of its duties under paragraph (b) above, and to the need for timely and effective implementation in Gibraltar law of Community obligations.*

The Commission has recently undertaken a review of how it meets its statutory objectives and, as a result, has enhanced its procedures for monitoring relevant developments in the European Union and its processes for advising the Gibraltar and UK governments. To identify where Gibraltar legislation has not kept pace with the UK the Commission conducted a comparison between Gibraltar legislation and the UK Financial Services and Markets Act and is currently working with the Gibraltar Government on the updating of key regulatory Ordinances. The Commission has also introduced various improvements in order to ensure it matches UK standards of supervision. This has included the introduction of regulatory objectives.

In conducting its affairs, and particularly when considering new regulatory requirements, the Commission takes into account the following regulatory objectives:

- (a) To promote market confidence;*
- (b) The reduction of systemic risk;*
- (c) To promote public awareness;*
- (d) The protection of the reputation of Gibraltar;*
- (e) The protection of consumers; and*
- (f) The reduction of financial crime, including the funding of terrorism.*

In interpreting the requirement to match UK supervisory standards the Commission consider that the key is to meet its regulatory objectives to the same extent as occurs in the UK, although not always via the same practices. Our focus is therefore upon the outcome of those processes, for example do they achieve the same level of market confidence and consumer protection as the practices in the UK do.

To focus on the processes themselves is not, in the Commission's view, productive. Given the differences between the UK and Gibraltar markets, the simplistic replication of a regulatory process may, in fact, lead to the end objective being missed or achieved to a lesser degree.

The differences between the UK and Gibraltar markets will occasionally require supervision in Gibraltar to be tighter than the UK (for example the UK does not operate a programme of on-site visits to all its regulated firms). On other occasions the Gibraltar regime can adopt a more case by case approach than the UK but with no reduction in overall supervisory standards.

Work undertaken during the year to match the UK's supervisory practice included the introduction of a comprehensive risk based assessment process which includes a regular programme of on site visits to all licence holders. Further work will be undertaken during the year ahead including the implementation of recommendation made in the statutory review referred to below.

## **The work of the Commission**

The main work of the Commission is that of regulatory supervision. This includes the assessment of applications from firms wishing to conduct regulated activities, ongoing supervision of regulated firms (both through the review of returns and by a regular programme of on-site visits) and the taking of disciplinary or enforcement action where required. The Commission has a wide range of powers including the issue of directions or imposing conditions upon a licensee. In an extreme case a licence can be revoked.

It is important that the Commission uses its resources as efficiently and effectively as possible. In order to achieve this, the Commission is now focusing upon the risks that both it, and the firms it regulates, face and how to mitigate them. As part of this the Commission has made significant progress during the year in its move to risk-based supervision. For example, a

regular programme of on-site visits to investment businesses was commenced. Such programmes were already in place for banks and fiduciary businesses. This programme will be further extended to include insurance companies in the financial year 2004/05.

The Commission has also introduced its own internal risk assessment and response framework. This analyses the risks that may prevent the Commission from achieving its statutory duties and what needs to be done to prevent those risks from coming to fruition. The framework will, in time, become the business plan of the Commission.

In addition to its supervisory duties the Commission performs a number of other tasks including advising Government on new financial services legislation which is required to be introduced to comply with EU requirements. It also undertakes additional tasks, such as the preparation of Anti Money Laundering Guidance Notes as well as anything else requested from time to time by the Government. The Commission also actively participates, where relevant, in the development of best practices and initiatives under the auspices of the various international regulatory standard setting bodies.

Other work includes the giving of assistance where appropriate to other regulators in the conduct of their regulatory responsibilities. The Commission also "polices the perimeter", including monitoring of the media and the internet in order to identify possible unlicensed financial service activity. Where this is detected, swift action is taken to resolve the position. If necessary the Commission will seek the Attorney General's permission to bring criminal charges against those found to be conducting licensable activity without authorisation.

The Commission also receives complaints about licence-holders. In common with regulators in other jurisdictions, during the last year, the Commission saw a rise in complaints from consumers. These complaints primarily related to alleged miss-selling of investment products. The Commission's remit does not extend to adjudicating on levels of compensation. Such action, under Gibraltar law, falls under the responsibility of the Courts and this action, of course, continues to be available to consumers. Notwithstanding this, the Commission takes an active interest in such complaints as these may point to regulatory breaches on the part of the firm. The Commission also strongly supports the Gibraltar Government's proposal for the introduction of a Financial Services Ombudsman in Gibraltar to deal with financial service complaints.

## **Review of our activities 2003-2004**

On April 5th 2003 Marcus Killick took over as Commissioner from Martin Fuggle who retired. Mr Killick is an English barrister by training and is also a member of the New York State Bar. From

1998, he was a Director in the International Regulatory Services Team of KPMG, based in the UK. He has also previously held positions as Deputy Chief Executive of the Isle of Man Financial Supervision Commission, and Head of Banking, Trusts and Investment Services at the Cayman Islands Monetary Authority.

The year also saw the retirement of two Commission members, James Galliano and Francis Isola. The Commission is very grateful for their dedication to their role and the experience and skill from which the Commission and its staff benefited. The Commission is lucky in having two highly capable replacements in Joseph Caruana and Franco Cassar to take their places.

In May 2003, as a result of information received, the Commissioner imposed substantial conditions on the authorisation of Rock Financial Services Limited (Rock Financial), in order to protect the firm's customers. The Commissioner also appointed PricewaterhouseCoopers to investigate the affairs of Rock Financial. Following an interim report from PricewaterhouseCoopers the matter was referred to the Royal Gibraltar Police who are currently investigating the matter. The firm was subsequently put in the hands of receivers by the court at the request of the Commissioner and in July the Commissioner revoked its licence.

Rock Financial had no connection with another Gibraltar investment firm Rock Limited which operates from Portland House, Glacis Road, Gibraltar.

During July 2003, the UK Government confirmed the right of FSC regulated firms to "passport" investment services into other EU jurisdictions (such as passporting rights in respect of insurance and banking have existed for a number of years). As a result of this a number of such firms have begun to take advantage of this new opportunity to sell products and services in many parts of the EU.

July also saw the introduction of the Gibraltar Investors' Compensation Scheme. The scheme is independent of the Commission; however the Commission does provide the administrative support and the Commissioner sits as Chairman of the Compensation Scheme Board.

During September 2003 the Commission signed a Memorandum of Understanding (MOU) with the Isle of Man Financial Supervision Commission. The Commission will be developing its links with other regulators including the UK Financial Services Authority and hopes to enter into further MOUs in the course of 2004/05.

September also saw a Court of Appeal case in which the Commissioner appealed against certain parts of the Chief Justice's decision in March 2003 on the Commissioner's power to exchange information with other regulators. The Commissioner's victory at appeal on all the key areas confirmed that we have the necessary legislative tools to provide appropriate co-operation to regulators in other jurisdictions.

In October the Commission completed its work providing specialist software developed by its Banking and IT Departments to the Eastern Caribbean Central Bank. The software, which analyses qualitative and quantitative data of banking operations, had originally been developed by the Commission for its own purposes and has been continuously updated to keep pace with supervisory and technological developments.

During 2004/05 the software will also be supplied to Montserrat. Additionally, at least another two Caribbean jurisdictions are undergoing systems analysis processes with a view to future installation of the software. This software, which is provided to other regulators at no cost, is a further physical demonstration of the Commission's commitment to working with other regulators in improving the level of global regulation so reducing the risk of financial instability and enhancing the protection of investors.

Other international regulatory co-operative work during the year has included participating in a UN Mission to Israel covering anti money laundering and receiving a secondee for six months from the Financial Services Commission in the British Virgin Islands.

In November the Commission issued a booklet to consumers on how to avoid being the victim of scams. Over future months, the Commission will be expanding its work on helping raise public understanding of financial products.

During February 2004 the second review of the supervisory activities of the Commission commenced. This review, which is required at regular intervals under the Financial Services Commission Ordinance, will be reported upon in next year's report. The timing of this review was at the request of the Commission partially to assist in identifying areas where changes may be necessary to ensure that supervisory standards continue to match the UK following recent changes to regulation there as a result of the introduction of the Financial Services and Markets Act. As with any review, there will be a number of recommendations on how the Commission can improve the quality of its regulation and the Commission welcomes the contribution made by such reviews.

The Commission also announced in February the completion of an initiative which has seen its web-site completely redesigned to take into account the needs of visually impaired users. The Commission believes that this is the first time that such a consideration has been taken account of by a financial services regulator.

During the year the Commissioner approved a total of 21 new licenses. Of these nine were insurance entities, five were fiduciaries and seven investment businesses.

Other activities during the year have included work to revise and bring up to date several pieces of legislation. Legislation the Commission has advised the Government on has included

revisions to the Financial Services Ordinances, the Criminal Justice Ordinance and the Insurance Companies Ordinance. There will be significant further legislation in the period ahead because of the number of EU directives due to take effect in the near future. As part of the Commission's commitment to transparency, it is proposed that the current status of all relevant EU Directives will be included on the Commission's website.

Like Regulators around the world, the Commission has been and continues to be faced with a significant increase in its workload. In addition to the expansion of the on-site inspection programme and the increase in work to improve public awareness, the Commission will be working with firms in the year ahead to further enhance the level of training and competency in the finance sector.

The increased work of the Commission has required additional resources and during the year we were delighted in welcoming Damian Rocca and Joanne Beiso as new members of staff. Further recruitment will take place in 2004/05.

## **The year ahead**

During the forthcoming year the Commission will continue to assist the Government in its work to transpose a significant new swath of EU legislation relating to financial services, the most important of which include:

The Distance Marketing of Consumer Financial Services Directive;

The Financial Conglomerates Directive;

The Insurance Mediation Directive; and

The Market Abuse Directive

Inevitably this additional workload carries with it additional costs and therefore the Commission will be requesting that Government increase the fees to licensed institutions. The Commission is aware of the competitive position in which the industry operates and will seek to keep its increases to a minimum.

In conclusion, the Commission has achieved a great deal in the year to which this report relates. Nonetheless many challenges lie ahead; they are challenges to which the Commission looks forward, with spirited resolution.

## **Statement of the Commission's responsibilities**

The Commission is required by the Financial Services Commission Ordinance 1989 to keep proper books of account of its income and other receipts and expenditures during each financial year and to prepare accounts which give a true and fair view, in the case of the balance sheet of the finances as at the end of the financial year and in the case of the income and expenditure account, of the surplus or deficit for that financial year.

In preparing those accounts, the Commission:

- selects suitable accounting policies and then applies them consistently;
- makes judgements and estimates that are reasonable and prudent;
- states whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepares the accounts on the going concern basis unless it is inappropriate to presume that the Commission will continue in operation.

The Commission also makes available to the auditors, as and when required, all the accounting records and all other relevant records and related information, including minutes of all Commission meetings. It also safeguards the assets of the Commission and takes reasonable steps for the prevention and detection of fraud, error or non-compliance with law or regulations.

## **Auditors**

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the meeting where these financial statements are laid before the Commission for approval.

By order of the Commission.

*Marcus Killick*

*For and on behalf of the  
Financial Services Commission  
Gibraltar.*



## **INDEPENDENT AUDITORS' REPORT TO THE FINANCIAL SERVICES COMMISSION**

We have audited the financial statements which comprise the income and expenditure account, the balance sheet and the related notes 1 to 13.

### **Respective responsibilities of the Commission and auditors**

As described in the Statement of the Commission's responsibilities, the Commission is responsible for the preparation of the financial statements in accordance with applicable law.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Commission as a body in accordance with Section 15 of the Financial Services Commission Ordinance, 1989 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Financial Services Commission Ordinance, 1989. We also report to you on whether, in our opinion, the Commission has kept proper books of account, whether the Commission's balance sheet and accounts dealt with by this report are in agreement with the books of account, whether we have received all the information and explanations which to the best of our knowledge and belief we required for our audit, and whether the Commission has discharged with diligence its obligations in relation to the collection of its revenues.

### **Basis of opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Commission in the preparation of the financial statements and of whether the accounting policies are appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

1. proper books of account have been kept by the Commission;
2. the Commission's Balance Sheet and Income and Expenditure account dealt with by this report are in agreement with the books of account;
3. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
4. to the best of our information and according to the explanations given to us, the financial statements give a true and fair view, in the case of the Balance Sheet of the Commission's finances as at 31 March 2004 and in the case of the Income and Expenditure account, of the results for the year then ended; and
5. the Commission has discharged with diligence its obligations in relation to the collection of its revenues.

PricewaterhouseCoopers  
Registered Auditors  
Gibraltar  
4 November 2004

The maintenance and integrity of the Gibraltar Financial Services Commission web site is the responsibility of the Commissioners; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in Gibraltar governing preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2004

	Notes	2004 £	2003 £
<b>INCOME</b>			
Fees receivable	3	1,033,331	967,556
Interest receivable		19,666	22,814
Gibraltar Government contribution	10	183,900	289,117
		<hr/>	<hr/>
<b>TOTAL INCOME</b>		<b>1,236,897</b>	<b>1,279,487</b>
		<hr/>	<hr/>
<b>EXPENDITURE</b>			
Staff expenses	4	758,105	669,600
Establishment costs		87,003	83,882
Other operating expenses		64,118	44,654
Commission members fees	5	70,000	42,000
Legal and professional fees		173,868	505,531
Auditors remuneration		4,900	2,600
Depreciation	6	19,507	14,157
Other professional charges		59,396	7,386
		<hr/>	<hr/>
<b>TOTAL EXPENDITURE</b>		<b>1,236,897</b>	<b>1,369,810</b>
		<hr/>	<hr/>
<b>DEFICIT</b>		<b>-</b>	<b>(90,323)</b>
<b>GENERAL FUND BROUGHT FORWARD</b>		<b>117,790</b>	<b>208,113</b>
		<hr/>	<hr/>
<b>GENERAL FUND CARRIED FORWARD</b>		<b>£117,790</b>	<b>£117,790</b>
		<hr/>	<hr/>

*There are no recognised gains or losses other than as disclosed above and there have been no discontinued activities or acquisitions in the current or preceding year.*

*The notes on pages 10 to 14 form part of these financial statements.*

## BALANCE SHEET

AS AT 31 MARCH 2004

	Notes	2004 £	2003 £
<b>FIXED ASSETS</b>			
Tangible assets	6	62,264	45,442
<b>CURRENT ASSETS</b>			
Debtors and prepayments	8	47,217	15,854
Cash at bank and in hand		373,726	524,887
		420,943	540,741
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	9	365,417	468,393
<b>NET CURRENT ASSETS</b>		55,526	72,348
<b>NET ASSETS</b>		£117,790	£117,790
<b>FINANCED BY:</b>			
<b>GENERAL FUND</b>		£117,790	£117,790

*The financial statements on pages 8 to 14 were approved by the Commission on 4 November 2004 and signed on its behalf by:*

*Marcus Killick*

*Financial Services Commissioner*

The notes on pages 10 to 14 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. PRINCIPAL ACCOUNTING POLICIES

#### Basis of accounting

The financial statements are prepared in accordance with United Kingdom applicable accounting standards. The particular accounting policies adopted by the Commission are described below.

#### Accounting convention

The accounts are prepared under the historical cost convention.

#### Income

Annual Renewal Fees due under the Banking, Insurance and Financial Services Ordinances are recognised on an invoiced basis, whilst all other fee income is recognised on a receipts basis.

Interest receivable is accounted for on an accruals basis.

#### Depreciation

Depreciation has been calculated so as to write off the cost of fixed assets on a straight line basis over their expected useful economic lives at the following annual rates:

Motor Vehicles		20%
Office Furniture and Fittings		20%
Office Equipment:	General	20%
	Computers	33 <sup>1</sup> / <sub>3</sub> %

#### Pension costs

The Financial Services Commission operates a money purchase pension scheme called the Financial Services Commission Retirement Benefit Scheme on behalf of its employees. Costs are accounted for on an accruals basis and are recognised in the income and expenditure account in the year in which they are incurred.

#### Government contributions

Government contributions are recorded on a receipts basis. Contributions are released to the income and expenditure account only to the extent necessary to fund deficits in income over expenditure. Unutilised contributions are recorded as deferred income and are carried forward for future use (see note 10).

#### Gibraltar Fund

Capital grants received from the Gibraltar Fund are offset against the capital expenditure for which the grant was intended, in the year in which the items are purchased. The assets acquired are recognised as fixed assets at cost net of grants received. Revenue grants are recognised in the income and expenditure account by setting them off against the expenditure which they are intended to subsidise in the year in which the expenses are incurred

### 2. TAXATION

Under the provisions of the Financial Services Commission Ordinance, the income of the Commission is exempt from income tax.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. FEES RECEIVABLE

	2004	2003
	£	£
Financial Services Ordinances	686,175	670,925
Banking Ordinance	106,000	125,000
Insurance Companies Ordinance	196,250	139,000
Others	44,906	32,631
	<u>£1,033,331</u>	<u>£967,556</u>

### 4. STAFF EXPENSES

	£	£
Salaries	672,821	580,803
Social security costs	18,370	17,050
Pension costs	34,474	28,309
Other staff costs	32,440	43,438
	<u>£758,105</u>	<u>£669,600</u>

Marcus Killick received total remuneration of £141,803 as Commissioner of the Financial Services Commission for the year ended 31 March 2004. A balance of £4,185 was due by the Commissioner to the Commission at the year-end as the balance outstanding on a personal loan which was repaid shortly thereafter. The previous Commissioner Martin Fuggle received total remuneration of £128,058 in the financial year ended 31 March 2003.

The average number of employees for the year was 15 (2003: 14).

Regulatory	11	10
Administration	4	4
Total staff employed	<u>15</u>	<u>14</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 5. COMMISSION MEMBERS' FEES

Fees paid to the Members of the Commission were as follows:

	2004 £	2003 £
Oonagh McDonald	10,000	6,000
Terry Mathews	10,000	6,000
Mark Boleat	10,000	6,000
Brian Hilton	10,000	3,000
James Neish	10,000	6,000
Joseph Caruana <i>Appointed 30 July 2003</i>	6,667	-
Franco Cassar <i>Appointed 1 October 2003</i>	5,000	-
James Galliano <i>Retired 30 July 2003</i>	3,333	6,000
Francis Isola <i>Retired 30 September 2003</i>	5,000	6,000
Sir John Caines <i>Retired 30 September 2002</i>	-	3,000
	£70,000	£42,000

The Members of the Commission received a fee of £6,000 a year until 31 March 2003. This was increased to £10,000 with effect from 1 April 2003 in recognition of an increase in the number of meetings from four to five or six a year, the establishment of sub-committees on which members sit and an increased workload between meetings.

### 6. TANGIBLE ASSETS

	<i>Office Furniture &amp; Fittings</i> £	<i>Office Equipment</i> £	<i>Motor Vehicles</i> £	<i>Total</i> £
Cost				
As at 1 April 2003	55,425	69,466	12,500	137,391
Additions	1,086	31,079	24,418	56,583
Grants received (see note 7)	-	(17,552)	-	(17,552)
Disposals	-	(4,705)	(11,700)	(16,405)
As at 31 March 2004	56,511	78,288	25,218	160,017
Depreciation				
As at 1 April 2003	53,057	30,098	8,794	91,949
Charge for the year	946	14,949	3,612	19,507
Disposals	-	(4,538)	(9,165)	(13,703)
As at 31 March 2004	54,003	40,509	3,241	97,753
Net book value				
As at 31 March 2004	£2,508	£37,779	£21,977	£62,264
As at 31 March 2003	£2,368	£39,368	£3,706	£45,442

## NOTES TO THE FINANCIAL STATEMENTS

### 7. GIBRALTAR FUND

	<i>Capital grants</i> £	<i>Revenue grants</i> £
As at 1 April 2003	-	-
Received in year	17,552	37,864
Utilised in the year	(17,552)	(12,864)
	<hr/>	<hr/>
As at 31 March 2004	-	£25,000

#### Capital Grants

Amounts received from the Gibraltar Fund as capital grants were offset against the expenditure incurred in acquiring fixed assets for use by the Commission.

#### Revenue Grants

£12,864 of this grant was specifically used for holding a training course for Commission staff. The remaining balance of £25,000 was deferred to cover costs in the subsequent year.

### 8. DEBTORS

	<i>2004</i> £	<i>2003</i> £
Other debtors and prepayments	£47,217	£15,854
	<hr/>	<hr/>

### 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	£	£
Gibraltar Government (Note 10)	228,067	-
Trade creditors	23,256	4,599
Accruals and deferred income	103,355	454,648
Taxation and social security	10,739	9,146
	<hr/>	<hr/>
	365,417	£468,393

### 10. GIBRALTAR GOVERNMENT CONTRIBUTION

	£	£
Balance as at 1 April	-	189,117
Contributions advanced during year	411,967	100,000
	<hr/>	<hr/>
Contributions utilised during year	411,967 (183,900)	289,117 (289,117)
	<hr/>	<hr/>
Balance as at 31 March	£228,067	-

## NOTES TO THE FINANCIAL STATEMENTS

### 11. CONTINGENT LIABILITY

As part of its regulatory responsibilities the Commission enters into legal actions from time to time, the costs of which may be significant.

### 12. LEASE COMMITMENTS

	<i>2004</i>	<i>2003</i>
	<i>£</i>	<i>£</i>
The Commission leases a property for its own occupation.		
Operating leases which expire:		
Within one year	-	43,270
In the second to fifth year inclusive	47,268	-
	<hr/>	<hr/>

### 13. RELATED PARTY TRANSACTIONS

Joseph Caruana is a Member of the Commission and also a partner of Deloitte & Touche. James Neish is a Member of the Commission and also a partner of Triay Stagnetto Neish. During the year the Commission used Deloitte & Touche and Triay Stagnetto Neish to provide certain legal and professional services. In addition prior to their appointment as auditors, PricewaterhouseCoopers were engaged to provide some non-audit services. These were all contracted on an arm's length basis, and are not considered to be significant in the context of the business of the parties.



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