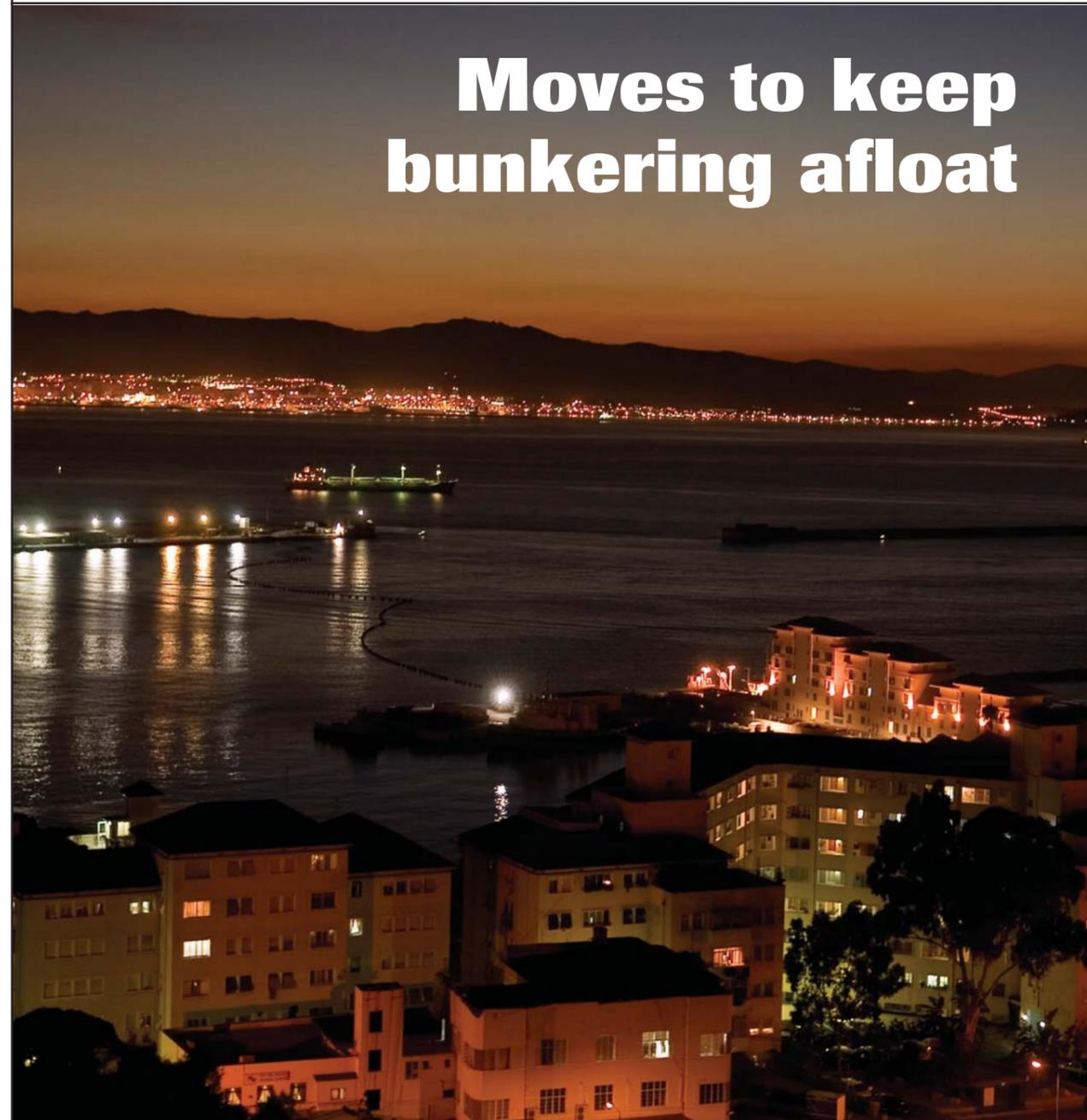


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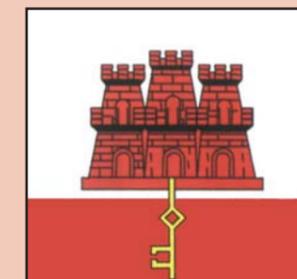
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EDITORIAL COMMENT

What's in a name?

Gibraltar variously has been described as a 'tax haven' and, more damaging, as an 'offshore tax haven'; a place perhaps where tax that would properly be due in one country is evaded in another.



Several countries, Spain historically, but reinforced more recently by France and Germany, consider Gibraltar to be a tax haven.

True a zero tax rate for some companies, when other - sometimes competing - companies pay tax, has not helped Gibraltar's situation. But this act of 'material selectivity' ends next year.

The OECD campaign against "harmful" tax practices, principally tax havens, arouses mixed reaction; some claim tax policy is a sovereign entitlement. Prompted by 17 countries, the OECD is now preparing a new blacklist of tax havens for summer. In its drive for tax transparency and effective information exchange, it already has a blacklist of 'uncooperative' countries, but not Gibraltar.

In truth, it has not been possible to hide behind The Rock's lack of any double taxation or information exchange agreements, because of its anti-money laundering laws, firm regulatory system, EU taxation of savings directive and the Schengen Convention.

The European Court of Justice's welcome decision against the EU and in favour of Gibraltar - agreeing it can legitimately set corporation tax levels independent of Britain - has helped raise The Rock's standing and reputation. It reinforces firmly the fact that Gibraltar is part of the EU, able to passport financial services throughout all 27 member countries.

It has also meant a new 10 per cent tax rate can be introduced with confidence from July 2010, previously zero-rated companies contributing for the first time. Effectively, that removes the ammunition for Gibraltar to be described as a tax haven.

But what about Gibraltar being 'offshore'? The IMF at its simplest describes 'offshore' jurisdictions as having relatively large numbers of financial institutions engaged primarily in business with non-residents. It lists Jersey and Guernsey as offshore finance centres for example, and less obvious Switzerland and Luxembourg but, most surprisingly, the City of London too!

Off-shore it is then; particularly when the IMF definition adds "jurisdictions that have low or zero rate taxation"!

Spain cannot argue that Gibraltar is a finance centre that wants to earn a living by providing a location on Spain's doorstep in which its residents can simply conceal their wealth. A double taxation agreement and exchange of information agreement at the Tripartite talks this summer will be positive for all concerned.

Now Gibraltar is presenting itself as an 'on-shore, main-stream, international financial centre'. A bit of a mouthful - but at least accurate.



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First double tax deal in sight as Gibraltar prepares to shed 'tax haven' tag and kills off its Zero rate tax status

Gibraltar expects to have full details of its new 10 per cent corporate tax rate passed into law by July removing any obstacles to a full exchange of information agreement with Spain later that month.

The agreement would cover tax, supervisory and regulatory matters and potentially include a double taxation agreement - a first for Gibraltar with any country.

It follows a land-mark ruling by the European Court of Justice in December that confirmed Gibraltar's ability to set its own tax rates independent of Britain, despite opposition from the EU.

The existence of a Zero Rate tax, which must be phased out under EU material selectivity rules by the end of next year, is seen as a major factor that allows a large body of opinion in Spain to resist acceptance of Gibraltar as a main stream finance centre.

Some 7,000 Gibraltar businesses, including on-line gaming companies, some private banks and insurers, benefit from a historic nil rate tax band.

"Gibraltar is not, and does not aspire to be, a tax haven

on Spain's doorstep", declared Chief Minister Peter Caruana in a wide-ranging exclusive interview with *Gibraltar International* on what he described as "the huge opportunities" available for the finance centre.

Areas that would benefit from a Spanish double taxation agreement include collective investment schemes, Experienced Investor Funds, bank lenders - a range of passported cross-border financial services.

And he revealed to Editor Ray Spencer, that in advance of the new low tax rate for all businesses, he would make a further substantial, "meaningful cut" this summer in the present 27 per cent Corporation tax rate.

In the space of two years, the tax on business profits will have fallen then by nearly half with the further reduction to 10 per cent from 01 July 2010.

Spanish tax prize

But it is the prize of gaining a double tax agreement with Spain that would have the greatest impact on the Finance Centre. It would then be unnecessary to deduct withholding tax on collective



investments and Experienced Investor schemes, bank investments and loans and insurance for people living in Spain.

"Banks, insurance and, more recently, investment services businesses are keen on this agenda", Caruana maintained. Many within the finance centre had been

"wary of double tax agreements, because they came with an exchange of information clause, but this has come about anyway by another route - the OECD, the EU taxation of savings directive and the Schengen Convention".

Having already been "exposed to many of the historically perceived disadvantages of double taxation agreements, I don't think they are seen as a sort of threat very much anymore, so we now may as well get the benefit," he declared.

There were growing views that such agreements are "a good thing, although the debate within the Finance Centre is quite young; it's something the finance centre

is beginning to put its mind to". He assured: "The Government has no policy difficulty with such agreements if the Finance Centre Council advises that they are in the best interests of Gibraltar."

Gibraltar's status as a main-stream EU on-shore finance centre brought many advantages that were being exploited, but there were also a number of obligations.

This is why offers were being made "to match the benefits we get from membership with a willingness to formalise co-operation arrangements and exchange of information agreements", which may include a double taxation

agreement.

Last July, the official Communiqué of the Ministerial Meeting of the Forum of Dialogue on Gibraltar - the Tripartite Agreement - involving the UK, Spain's foreign affairs minister, Miguel Angel Moratinos and Caruana, said there was agreement to work towards co-operation on financial services and taxation (amongst other things).

Since then officials from all three countries have met to prepare the basis of agreements - negotiating briefs that set out detailed objectives and how they can be achieved - ready for the next round of

Ministerial talks.

"We have made a lot of progress, but are not yet working on texts of agreements and are almost at the end of that process", Caruana said. They had been ruminating over some issues and there was not yet complete accord about the extent of any agreement.

As a result of a personal invitation from the Chief Minister, the Tripartite Ministerial talks are expected to be held in Gibraltar and Sn Moratinos had indicated informally "that there should be no problem".

If that happens, it will be the first visit to The Rock by a senior Minister from Spain,

which has Gibraltar on its 'black list' of tax havens that also includes other EU countries such as Malta and Cyprus.

Under Spanish law there was automatic delisting when exchange of information agreements are in place, explained Caruana.

A lot of rubbish is published in the less well-informed Spanish press, said Caruana as he emphasised that "the Spanish Government at the highest levels had no doubt about what is on offer to them from Gibraltar and our willingness has been declared both publicly and privately.

Continued on P10

Moves to woo Spanish public opinion

"Gibraltar is not a finance centre that wants to earn a living by providing a location on Spain's doorstep in which Spanish residents can simply conceal their wealth from Spain," Peter Caruana, Gibraltar's Chief Minister, declared.

"We have no way of knowing if that happens", he admitted, "but the finance centre has moved in great leaps and bounds away from the classical tax haven arrangement into a much more main stream finance centre.

"Everywhere there will be clients who are present for different reasons. I'm told by banks and others that people who are resident in Spain use Gibraltar legitimately for

their global organisational structures and have nothing to gain from using Gibraltar simply to conceal wealth from the Spanish authorities, because of the tax savings directives and the obligation to disclose anyway".

In the meantime, Gibraltar is in the midst of a 'win hearts-and-minds campaign' in Spain, accepting any opportunity to speak on television, conferences and meetings about its modern Finance Centre.

"We have to overcome deep-rooted, intense, concentrate, long-running layers of brain-washing propaganda to which Spanish public opinion has been subjected over many years and this is not easy to dispel on the reality of

Gibraltar", he said.

"The first reaction of younger people is an unwillingness or reluctance to believe, because it disarms; it's not what they have been taught to believe. Because it is politically expedient - almost like stripping someone's clothes away, their first reaction is to cover up.

"That can be overcome in time, because the reality is that the young, educated, more European and open-minded people - even if they think Gibraltar should be Spanish - are much less vitriolic and less hung-up about the issue", he went on.

In December, the Minister laid out Gibraltar's case to Madrid's Nueva Economia Forum and recently spoke at

the University of Algeciras, the Law Faculty of Seville University and in January to Cordoba University.

This initiative he regards as "very important" and the aim now was for people to put aside whether they consider they have claims on Gibraltar, and instead look at what can be achieved for the better of all parties concerned.

Gibraltar was well advanced in repositioning the finance centre as "a stable, sustainable and main stream financial service centre offering quality and value added business away from brass plate tax haven".

The extent to which Gibraltar as a whole depended on Zero tax and brass plate tax haven company work "is very, very small - maybe there is the odd operator out there, but there are casualties in all reforms!"

“

matching benefits of EU membership with willingness to formalise co-operation arrangements

”

Gibtelecom sale in prospect, but experience does not bode well

The Gibraltar Government is trying this year to sell off - or at least reduce - its 50 per cent stake in Gibtelecom, the former wholly State-owned telecommunications business.

But experience shows it may not be as easy as advocates of the Government's exit from conflicting roles of telecoms operator and telecoms Regulator might have expected!

Peter Caruana, Gibraltar's chief minister, told Gibraltar International that some interest had already resulted from market soundings. A decision on the Government's stake in Gibtelecom was likely to be made this year, Caruana indicated, "to remove uncertainty on this issue".

Any sale had to be "at the right price" by an organisation that would "ensure that investment continues to be made in technology to ensure a good service for business and residents of Gibraltar", he said.

However, it's an approach already tried without success by the Slovakian Government, which now owns around 49 per cent of Telekom Slovenije, and,

as such, also has owned half of Gibtelecom since June 2007.

Gibtelecom's pre-tax profit for the year 2007 (revealed last November) rose by more than a quarter to reach £8.7m on turnover of £30.4m, up 6 per cent. The total dividend was 9 per cent higher at £6.3m.

Telekom Slovenije share of 2007 dividends was €2,820,000, the Slovenian operator's annual report reveals, having paid previous owner Verizon Communications €36.7m for its 50 per cent stake in Gibtelecom in April 2007.

At about that time, the telephony company's share was included in the Ljubljana Stock Exchange prime market listing having being quoted there for over 18 months.

At the end of 2007, the Republic of Slovenia had reduced its ownership of Telekom Slovenije to 52.53 per cent; the next nearest single

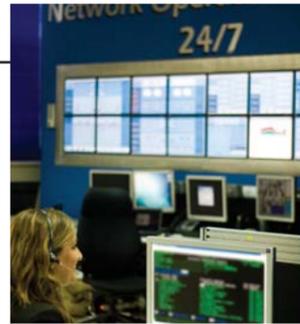
holding then was just over 14 per cent.

High demand for those shares was encouraged by the Government's announcement that it would sell its interest in Telekom Slovenije to the best bidder in an international off-loading process.

Experts assessed the value of assets for the purpose of the bidding, while seven candidates interested in purchasing the Republic's shares conducted due diligence reviews of the company.

In the end, a total of 12 organisations submitted bids, and talks subsequently proceeded with two.

But in March last year, the



Gibtelecom call centre staff answer customer queries 24 hours each day

commission in charge of conducting and monitoring the sale of the State holding in Telekom Slovenije "recommended that the Slovenian Government not accept any of the bids".

None of the candidates had met the requirements, reported Bojan Dremelj, President of the Telekom Slovenije Management Board.

Given the current worldwide economic downturn, finding a suitable bidder in 2009 at the right price may prove difficult for the Gibraltar Government too!

See also *Competition hots up* page 21.

Gibraltar Phone Facts

- 23,000 fixed telephone lines
- 98m minutes of calls originated in Gibraltar, nearly two thirds from fixed landlines
- 25m local calls and 5.2m international calls were made in 2007 from landlines, down from the 38m and 7m in the peak 2004 year.
- 3 VoIP providers - Gibtelecom, Easycall and CTS - accounted for 6.8m outgoing international calls, 27% of the total in 2007.
- half of VoIP international calls were to the UK; just over a quarter were to Spain.

Dinner date

Vice president of the Chartered Insurance Institute in London, Branko Bjelobaba, is to be the guest speaker at the first annual dinner of the Gibraltar Insurance Institute on 26 February at the Rock Hotel.

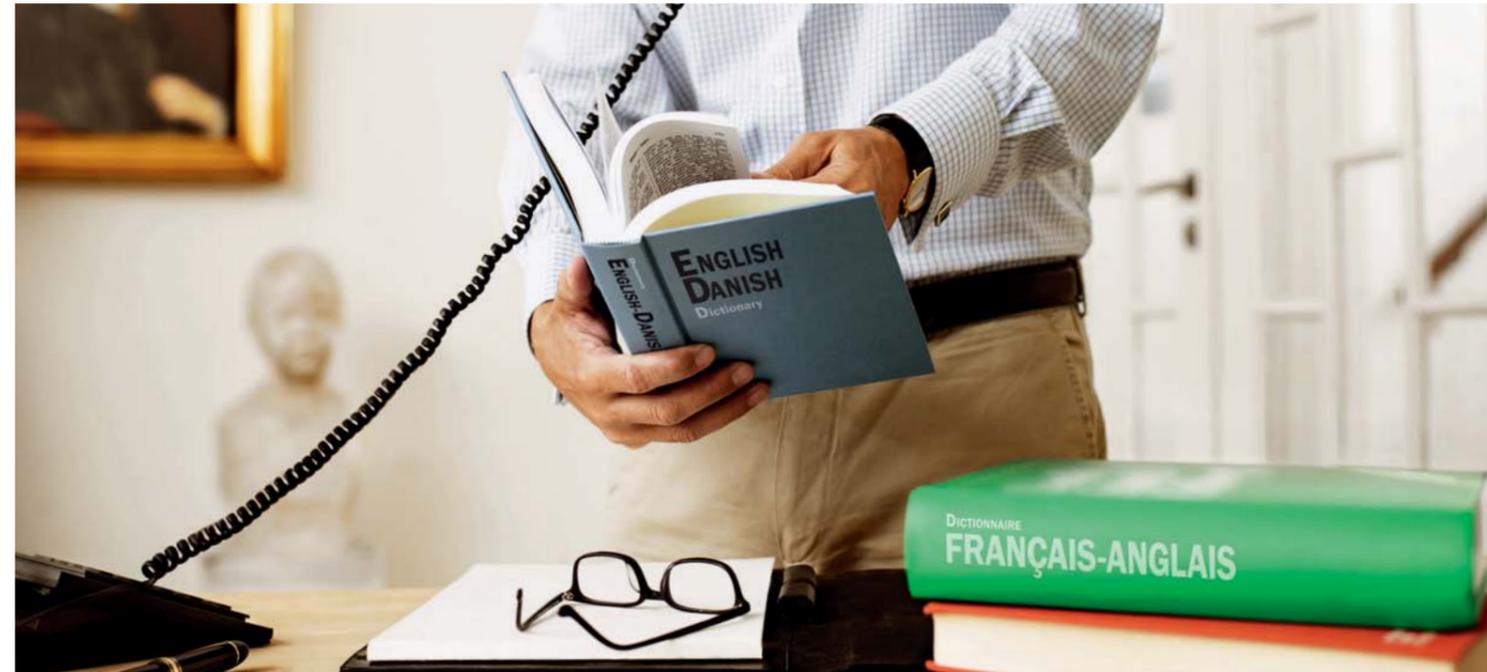
The event is expected to be attended by 150 people, including Gibraltar Financial Service Commissioner, Marcus Killick and Penny Hudson, who is President of the Gibraltar Insurance Association as well

as being chief executive of Caledonian Insurance Management Services.

The GII was formed in September and its President is Andy Baker, chief executive of Argus Insurance Company (Europe).

His 2009 programme includes a breakfast visit to the FSC on 04 March to hear of pointers and lessons learned for the industry and a one-day Risk Regulation & Capital Adequacy training workshop on 26 March.

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Link to passport direct on-line car insurance to UK

A new direct private motor insurer for the UK market has been launched combining for the first time separate Gibraltar-based insurance and broking companies that are passporting their services with the target of writing £70m of business in the first year's operation.

Leading the way

Already providing "tens of thousands of quotes" and having issued 2,000 policies in the first few weeks, First Central Insurance Company Ltd and broker First Central Insurance Services Ltd, are together working exclusively through specialist insurance comparison sites such as confused.com,

gocompare.com and money-supermarket.com.

Cover is provided by both firms because aspects are provided through the broker with those insurance risks laid-off elsewhere.

First Central has become the first insurer to market its policies solely through comparison web-sites, known as aggregators.

Both firms are members of the First Central Group, based in Guernsey, and founded by a core team of Ken Acott and Patrick Tilley, previously joint majority owners of Zenith Insurance PLC, which was sold to Guardian Holdings Limited in early 2005.

Under the terms of the

deal they were prevented from working in the market for a period, but now have been joined as First Central joint founders by three others - Mike Leonard, Peter Creed and Anne Cowland - all of whom previously worked in the Zenith Group.

Motorcycles & vans

The plan is to launch policies to cover motorcycle and van insurance later this year.

The new businesses are being managed from Gibraltar by the fast growing Quest Group, under chairman Steve Quinn, and UK administrator, First Central Insurance Management Limited, is fulfilling policy and claims

administration at offices in Haywards Heath, West Sussex.

Already employing 60 staff, First Central anticipates that this will grow to over 100 in 2009.

Group chief executive, Leonard said: "The aggregator distribution model will fully meet our business needs as our research identified that more and more people in the UK are using comparison sites to source their personal lines insurance requirements."

Further information contact: Tom Acott (Tom.Acott@first-central.com) or Steve Quinn (Steve.Quinn@quest.gi).



Deal in sight continued from P7

"If this doesn't happen, it will not through a lack of willingness on Gibraltar's part", he declared.

Low tax not bad

"Low tax is good, not bad" Caruana declared, pointing out that Gibraltar was like the Republic of Ireland, Cyprus and most of Eastern Europe where there were lower rates of tax.

"All countries should strive to have the lowest possible rate of taxation. The difference between good and bad cannot be the distinction between high and low tax. There is no virtue in high tax and there is no sin in low tax", he emphasised.

The new low 10 per cent rate will mean less income, offset to some extent by the tax that will be paid for the first time by exempt companies, which the Government believes will not be encouraged

to find alternative countries with still lower, or no tax.

Had Gibraltar lost the ECJ case, Gibraltar would have had to adopt the UK's company tax system and company tax rates and "that would result in the bulk, if not all, of the finance centre and gambling companies leaving Gibraltar".

Those new tax contributors were not in Gibraltar only for the tax advantage, which still would be good, but for a variety of other reasons. "A policy of zero tax is simply just not going to be sustainable with world opinion," he felt.

Nevertheless, Caruana has said publicly that the zero-rated on-line gaming companies and insurers effectively will pay less than 10 per cent.

Taxation computation rules would result in the effective rate being less and separate meetings were taking place at

which "specialist taxation techniques" needed to be worked out covering the insurance and on-line gaming sectors that would be defensible - "staying the right side of EU State Aid rules and not being materially selective".

Panel to advise

In the UK, for example, there were legitimate differences in the way profit is calculated in different industries. "We are not talking about re-inventing the wheel - we not trying to be clever here - it's a question of looking at other systems of tax that are valid and learning so that we can properly tax a sector that has not been paying before", said Caruana.

The Government has employed a panel of eight tax experts locally - lawyers and accountants - to help with the details of the 10 per cent scheme and drafting of

legislation.

There was now some feeling for how much extra the insurance industry, tax-exempt banking businesses and on-line gaming companies might contribute in tax

A separate group of external tax advisers, along with the Inland Revenue and the government, are considering the implications of either asking the exempt companies to forfeit the final six months of tax free existence - from July to December 2010 - or whether the shortfall in that period can be made up by utilising Government reserves arising from past surpluses, or from finding the money elsewhere.

The current year is likely to end up with another budget surplus of £12-15m, Caruana forecasts, if oil prices remain around US\$50 a barrel or less until March.



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Systematic trend followers have simple beliefs for future growth

Despite a general loss of trust in the veracity and expertise of those managing alternative investments, some Hedge Funds still offer a “safe and profitable” home, argues Chris Clarke – probably!

2008 will go down in history as one of the worst periods for the global investment industry.

The value of global equities declined by over 30 per cent, commodity indexes made multi-year lows and property values collapsed, following the sub-prime mortgage debacle.

The problems for investors have been made much worse by the exceptional levels of market volatility and a series of major scandals, culminating in the Bernard Madoff affair involving allegations that investors were defrauded of US\$50 billion in a “ponzi” (pyramid) scheme.

In effect, the global situation is so bad that politicians are apparently loath to admit to the depth of the problems, and the implications for national debt and pension commitments.

Only a few independent commentators are prepared to address the seriousness of the situation.

The Alternative Investment industry has suffered greatly from the series of major fund disasters, with the shattering of trust in the competence and integrity of fund managers and regulators.

Alternative Investment vehicles (“hedge funds”) were developed to provide absolute returns and, therefore, to offer some security in the event of the

decline of equity and property values.

In early 2007, the hedge fund industry had assets under management estimated at US\$ 2.5 - 3 trillion. Since then, there has been an investor exodus with total assets now estimated at US\$1.5 trillion - and still declining fast, as investors run for cover. But just where are these investors going to put their money in 2009; and is there anywhere left that offers a safe bet for investors?

The simple truth of the matter - whichever way you cut it - is that the alternative investment industry probably still offers investors the best chance of a safe and profitable place to put their money in the current circumstances.

The recent spout of scandals and reports of poor performance is, unfortunately, exactly what is needed to shake up the industry - an industry that has long suffered from misconceptions, poor definitions of terms and a regulatory blanket that has failed to do its job.

Still performing

Despite the recent traumas, many of these alternative investment funds have continued to perform well.

These are generally the funds with sound strategies and risk management who have avoided the traps of excessive leverage and the trading of financial

instruments with little or no liquidity.

Certainly the way forward for the alternative investment industry lies in greater transparency and accountability.

But the general lack of trust in the industry and demands for excessive regulation will hamper their ability of those funds to operate efficiently, effectively, resulting in the baby being thrown out with the bathwater!

Maybe recent events will wake up investors, regulators and other Government agencies alike to the fact that you cannot throw generic terms like “Hedge Funds” around and that you need to do the homework, as with anything in life, if you want to be successful.

Look up the definition of a hedge fund on any good internet search engine and you will probably come across at least ten variations.

Once you think you’ve defined what a hedge fund is then look at how the industry itself categorises the 10,000-plus hedge funds with confusing terms such as ‘long only equity’, ‘equity short bias’, ‘equity market neutral’, ‘event driven’, ‘managed futures’, ‘equity arbitrage’, ‘short volatility’ and many more!

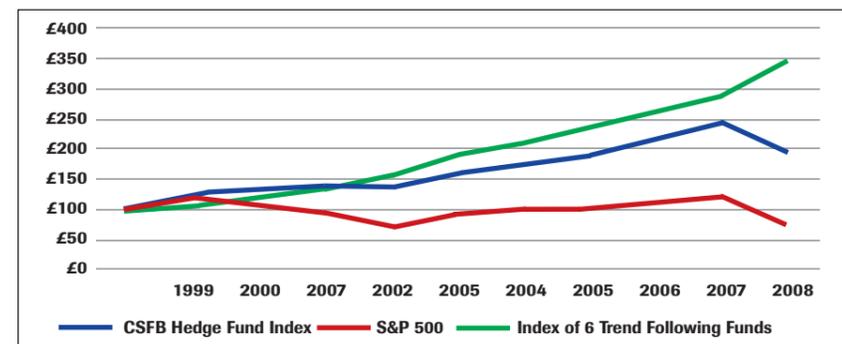
The list is seemingly endless, but unfortunately, it is also essentially meaningless as many hedge funds do not operate with any constraints and the authorities are apparently unable to ensure that they do what they say they will do.

Realistic aims needed

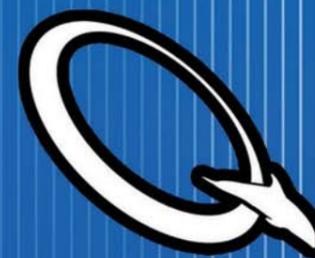
So how can an investor select a suitable fund? The secret lies in the identification of sound strategies and competent management capable of achieving realistic aims.

The alternative investment industry probably still offers most investors the best chance of future success, but investors can no longer assume anything and will have to develop a better

Continued on p14



The Chart shows a comparison between the S&P 500, a widely used benchmark of Global stock markets, the Credit Suisse Tremont Hedge Fund Industry benchmark of returns, and a custom benchmark of the returns for the ten large ‘trend following’ vehicles (asset weighted and managing US\$20 bn).



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Ruling prompts property revival, but shortages again predicted

An expected shortage of rental property, heavily favoured by finance centre workers, is expected to push achievable rents up by around 10 per cent this year.

The rise is the result of the twin effects of lack of sufficient suitable properties and an anticipated increase in demand prompted by the poor exchange rate and the recent European Court of Justice (ECJ) ruling that confirmed Gibraltar's Corporation Tax-setting ability according to estate agent, Chesterton.

Commercial property too should receive a boost, both because 80 per cent of the 15,000 sq m of new office space has already been let or sold and also from more companies choosing to relocate to Gibraltar following the favourable ECJ decision.

Euro prompts

"For some time we have known of insurance and gaming companies in particular, holding off their decision to move here until the tax situation was resolved; now there is nothing to stop them", explains Jeremy Boyd, Chesterton's local director.

But deteriorating and unsettled Sterling-Euro exchange rates is prompting existing staff working on The Rock and living in Spain to consider moving

across the border to save money.

The first quarter of each year always sees an increase in letting enquiries when High Net Worth and other individuals consider relocating to Gibraltar to take advantage of the favourable tax rates before the UK financial year ends in April.

The Ocean Village estate agency, opened last summer, has confidence that the revival in the rental market will also generate interest in property sales, after a year of some decline in prices – down 5-10 per cent on 2007.

The currency value issue, coupled with the availability now of low mortgage rates, has prompted people to look at buying Gibraltar property.

However, stock levels are expected to diminish in 2009 as more sellers choose letting as an option whilst they wait for market conditions to improve.

In the last 24 months, Gibraltar has seen the largest delivery of privately built property – some 900 units completed – "and occupancy rates now exceed 90 per cent with the best rental properties receiving multiple offers", a situation expected to remain in 2009.

Boyd notes that "there is a distinct

shortage of quality one and three bedroom rental apartments, and as a result generally yields on capital are expected to remain around 6 per cent this year".

In the final quarter of 2008, Chesterton reported an upturn in interest from some buyers looking to buy Gibraltar property as opposed to leaving cash in the bank, because saving rates are low at about 4-4.5 per cent.

Local tax breaks

Most employed and self-employed first time buyers who live in Gibraltar also benefit from Government tax breaks.

Boyd calculates that a working couple buying a typical £150,000 property with a 90 per cent mortgage could recover half of the interest paid for the first four years of their loan, through tax relief and the present attractive mortgage rates.

"Unlike other Mediterranean destinations, where the local population have been priced out of the market, Gibraltar's first time buyers benefiting from both reduced Sterling interest rates and the favourable tax incentives to buy property", he notes.

Trend followers continued from p12

understanding of where they put money.

Similarly, investors will have to fully understand that consistent, smooth and guaranteed investment returns are a "Holy Grail" that simply does not exist.

Some well established strategies do, however, continue to achieve the twin aims of high levels of return and low risk. The most successful investment category in 2008 – and many, myself included, would argue the most successful investment category for the last 30 years – are those funds generally referred to as 'systematic trend followers'.

From my many years of research I

can find only eleven investment vehicles with a 20-year track record averaging more than 20 per cent a year, and four out of five of those vehicles are systematic long term trend followers.

Systematic trend followers have a simple belief that you must trade with the odds in your favour and also that effective risk management is the core to success.

However, typically it is this simplicity that seems to puts investors off; most seem to believe that a successful strategy must involve great complexity, large numbers of economists and mathematicians and "star" managers.

Trading with the odds in your favour does not, however, guarantee the smooth returns that investors are most happy with.

Results are best judged over years rather than months and investor patience with some volatility of earnings is changing. Investor demands for smooth returns are responsible for most of the dangerous high leverage strategies developed in recent years!

Chris Clarke is a fund manager for CrystalClear Capital Management Fund, part of Quay Umbrella Fund PCC Ltd. www.QuayUmbrellaFund.com



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Moves to keep Gibraltar's key ship refuelling sector afloat

Far reaching plans are being made to secure and expand Gibraltar's position in 2009 as the most important ship refuelling point in the Mediterranean. But *Gibraltar International* Editor Ray Spencer finds that significant obstacles have still to be overcome.

Faced with growing competition around the Straits of Gibraltar and physical constraints within the Bay, Government, Port Authority and industry leaders are turning their attention to how the bunkering business can be retained – and further expanded.

However, Gibraltar has very little land available for on-shore fuel storage facilities and bunker operators experience congestion at the deep water anchorages where ship-to-ship fuel transfers take place.

Further pressure on Gibraltar to find a solution comes from the concern of environmental groups in Spain at risk of pollution arising from accident or spillage involving the three floating bulk fuel storage vessels known as 'mother ships'.

According to industry sources, there is the strong possibility that EU and international maritime Regulators may seek in the next few years to outlaw these ships.

For two years, the Gibraltar government has been in behind-the-scenes negotiation with the British Ministry of Defence to take over around a dozen large fuel tanks installed more than 50 years ago at the MoD's King's Lines fuel depot, deep inside of The Rock.

That would involve total refurbishment or replacement of the disused tanks and their associated two separate pipelines down to the Port at a significant cost – "possibly easily up to \$US 30m", according to an industry insider.

"Even in these days of credit shortages, there are still sources very interested to invest in such a venture", the source confirmed, "but it would take two years for the venture to become a reality and possibly five years to achieve full potential".

Transfer from military ownership to civilian use of the depot could lead also to opportunities for blending fuels at the on-shore depot, simplifying the bunker barge ship-to-ship operation, which still would be needed.

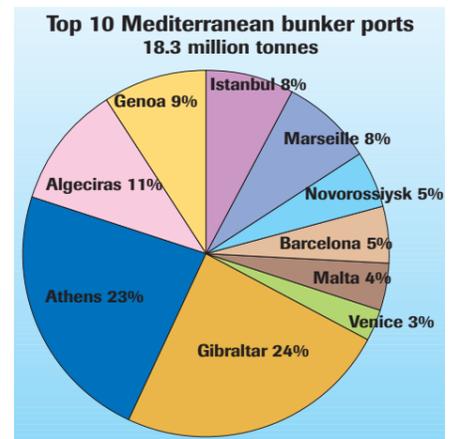
There would be local employment too; at present those manning mother ships generally are foreign nationals not contributing to the local economy.

But the government would be under pressure to ensure a good financial return for Gibraltar and to guarantee equal access for all operators to the available supplies, if any private sector company was to gain control of the large on-shore depot.

Another, even longer-term potential solution involves installation of a land-based storage facility underwater, which might involve widening of Gibraltar Port's Detached Mole that protects Gibraltar's harbour basin.

More immediately, the Gibraltar Port Authority is looking at how to better use the – at times congested – sea anchorages.

The aim is to achieve "greater efficiency through better management of the facilities



Bunkering Growth Action Plan

Measures being investigated include:

- reinstate ex-Military under-Rock storage tanks at US\$ 30m;
- greater harbour anchorage efficiency management at £0.5m to gain 10% more capacity;
- re-opening Eastern anchorages to add 30%+ capacity;
- under-sea bulk storage.

and thereby shorten calling times," explains Captain of the Port, Peter Hall, who is also the GPA chief executive.

The Port is bidding for £500,000 of extra capital spending in the Government's 2009-10 departmental budget plans, which would go on extra staff to carry out on-board barge vetting and to supplement existing CCTV, purchase of new infra-red night time vision cameras to aid monitoring of bunkering activity.

At the same time, re-opening of anchorages on the Eastern side of the Rock – subject to the prevailing strong weather conditions, at certain times of the year – is another idea being actively considered.

Whilst this would require government risk management assessment and approval to give perhaps up to 20 more bunkering anchorages, crucial to all the efficiency measures is introduction of greater management of information systems.

"All ships today have auto-identification systems that help plot their position, but this is presently limited by horizon range, so a new aerial on top of The Rock is an essential ingredient", Hall points out.

In the meantime, bunker operators are

also considering how much extra use could be made of existing anchorages if the present three large 'mother' storage ships are forced out of operation.

But in response to inquiries from *Gibraltar International*, both the International Maritime Agency and European Commission representatives denied knowledge of any plans to prevent use of floating bulk storage ships. Many in the industry, however, believe otherwise!



Cruise ship Island Escape bunkering in Gibraltar Port

Courtesy of GPA and photographer Tony Davis

Growing Straits Competition

Choice of which port to refuel at and which company to use is about location, price and availability and speed of turn-around; until recently, the demand for bunkering has been greater than Gibraltar's supply.

The Rock holds a key strategic position for commercial shipping – arguably the most important and cost-efficient means method of transporting goods around the World.

Vessels carrying all types of cargo have to be fuelled along the route of their voyage. Some 75,000 ships pass through the Straits of Gibraltar on their way from the Mediterranean, the Black Sea, the Indian Ocean and beyond to the Atlantic ports of Europe, North and South America and West Africa.

Shipping routes between Europe and West and South Africa, Latin America and Europe, North America and Africa are also in close proximity to the Rock.

It's little wonder that the Port of Gibraltar, at the cross roads of major global trading routes, has established a strong position as a major bunkering centre, accounting for just short of a quarter of all the business undertaken at the top ten Mediterranean bunkering ports.

Unprecedented world-wide economic growth in the last couple of decades resulted in a huge increase in maritime transportation and consequently the demand for

marine fuels soared. Gibraltar proved well able to reap the benefits of growth and now is estimated to be the 7th largest bunker port in the world!

According to Gibraltar Port Authority (GPA) figures, 4.3m tonnes of bunkers were delivered in 2007, compared with just 0.84m tonnes in 1990.

Only 1,617 ships called to Gibraltar for bunkers in 1991, but 5,367 did in 2005 and still more – 5,640 – in 2007, representing more than two thirds of the deep-sea vessels calling at Gibraltar.

Other main ship re-fuelling centres in the region include the Suez Canal and Greece, with Piraeus / Kali Limenes supplying around 4m tonnes. But whilst Ceuta, just across the Straits from Gibraltar, remains small in this business, other nearby locations may in future represent a larger competitive threat.

Bunkering stalls

Oil giant Total is understood to be involved with the Moroccan government in a long term plan to construct a new port facility for Tangier that will include signif-

icant bunkering, and Spain's Algeciras, on the north of the Bay of Gibraltar, is also expanding its port facilities with associated bunkering expecting a larger share.

But bunkering growth in the Region generally stalled in 2008 and Gibraltar's capacity to handle more business has been called into question. Nearly all marine fuel from Gibraltar is supplied off-shore and industry sources suggest there is only limited further space at the anchorages, which would severely limit further growth.

Apart from its strategic location, ship operators are also attracted to Gibraltar, because its high turnover provides a competitive market, there are low port dues and the government continuously monitors activity, the GPA says.

Gibraltar has been successful too in attracting an increasing number of cruise ship to call at the Port and being able to take on competitively priced bunkers alongside the berth at the same time as calling at a popular destination is an additional attraction to ship operators with Western Mediterranean itineraries.

However, the government receives relatively little direct income from the four companies in bunkering, even though it is by far the Port's largest activity, because most of the transfers of fuel take place at

Continued P19



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Continued from P17

sea from the three bulk storage vessels anchored in Gibraltar territorial waters that in turn, receive their supplies from tankers. GPA revenue is around £4m a year in Port dues and pilotage (that also includes cruise ships) and a bunkering levy. A fleet of 14 bunkering barges – in reality, well-equipped sea-going tankers – mostly ferry fuel between the anchored ‘mother ships’ and the merchant cargo ships that stop in Gibraltar’s waters.

Five more barges ply between shore storage facilities in Gibraltar and also particularly from the CEPSA refinery at Algeceras used by tankers from the Gibunco Group, which accounts for nearly a third of Gibraltar bunkering activity.

Only the Gibunco Group is Gibraltar-based and operates its Petroleum Division from Europort, via a jointly-owned operation with Spanish oil company CEPSA, and also through its own Peninsula Petroleum Company.

“I believe the perception is that Gibraltar does not get enough from bunkering, but our costs here are in line with the rest of the world and in addition, The Rock economy benefits from business generated by agents with crew changes, the airport, supplies and repairs”, said John A Bassadoni, Peninsula’s managing director.

Not rust buckets

Contrary to the view of some environmental pressure groups, the floating storage vessels operated in European waters are not ‘old rust buckets’, but modern, double-hulled sea-worthy ships, capable of normal freight duties.

They are manned by sufficient crew to satisfy both the local Maritime Authority from a safety perspective, and the vessels’ own Maritime Registry on safe manning levels for the type of operation for those vessels.

Peninsula has invested in 7,000 tonne bunker tankers, like the £15m Gibunker 100, the largest and most modern bunker tanker in the area; it is the only one of the new breed operational in Gibraltar at present, but Bassadoni is considering moving a second of his four from Singapore to Gibraltar to meet demand.

The bunkering operations, whether on or off-shore, require not only storage



MS Europa Ventures bunkering

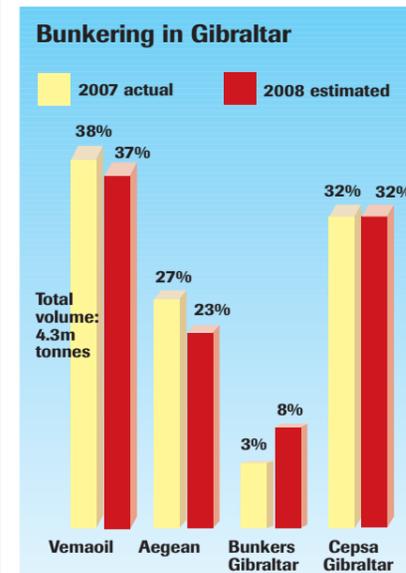
and delivery facilities, but in most cases, blending capabilities to suit the varying quality of desired fuel for the different engine requirements. The varieties of marine engines require different types of fuels, ranging from heavy oil fractions to the light types of marine diesels.

Delivering bunkers requires close co-ordination with the Port Authorities, the calling vessel, the Shipping Agent and often the ship owner. Logistics for the bunker supplier are also an important factor with a need to have the right barge with the right fuel available at the closest time to the arrival of the vessel.

Current vessel charter rates are such that delays for any reason are expensive, making close co-operation not only important but also necessary to improve available space for other bunkers.

Another factor is the focus being put on environmental issues and safety, such that Gibraltar moved in 2002 to introduce a Bunkering Code of Practice, with a Bunkering Superintendent position, and a licence-based operation, using standards based on Singapore, considered to be the safest and cleanest bunkering port in the world.

“Increasing competition in this part of the Mediterranean will be good for



us, because it will bring still further focus on the available bunkering solutions and particularly on the other facilities that can also be offered as part of a complete package”, says Bassadoni.

The Gibunco Group, founded by his father in 1968, “is also in ship repair, hull cleaning and fuel conservation services, so we have potential to offer clients more than a refuelling service”, he points out.

However, there are global factors that might have a short-term negative effect on the Gibraltar Bunkering Industry.

The “credit crunch” and economic downturn being experienced by major industrialised nations will lead to a noticeable reduction in the volume of maritime shipping. The level of bunkering has already dipped slightly locally, sources report, and the volume of fuels transferred will most likely fall further this year.

But the Shipping Industry will not collapse as there always will be demand for transportation of goods regardless of the ups and downs in the economic cycle, but the volumes of trade almost certainly will be lower for a couple of years.

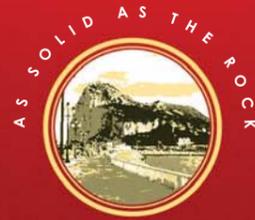
Well before the 2008 hike in fuel prices, the trends was for building much larger tankers and container ships, as cargo charterers continue to seek greater cost-efficiency and it is expected this will be maintained as the cost of barrels again gets more expensive.

The result is larger engine sizes and a greater daily consumption of fuel - up to 250 metric tonnes - which means a single bunker requirement of 6,000 metric tonnes or more. Significant investment is likely to be needed to gain larger and more sophisticated bunker barges.

In the past year alone, five more bunker barges began operating in Gibraltar waters – a 25 per cent increase.

There is already evidence that new marine engines operate on lower-grade and cheaper fuels with high viscosities and densities

With suitable “bunker barges” capable of blending fuels to the required grades on-board and delivering these in larger quantities at the right temperatures, Gibraltar bunkering operators would be able to attract the super-tankers as well!



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Competition hots up to bring still better deals and more telecommunications services

Telecommunications in Gibraltar are suddenly blooming, with tens of millions of pounds being invested in establishing and upgrading new networks and physical infrastructure as part of liberalisation measures.

Although the Gibraltar Regulatory Authority (GRA) was established more than eight years ago with a remit "to develop an effective choice for both business and residential consumers" it is only now in 2009 that a significant effect will be seen on landline, internet and mobile telephony.

Owned 50:50 by Telekom Slovenije (Slovenia's part-State owned telephony business) and the Government, Gibtelecom is still Gibraltar's largest supplier by far of fixed and mobile telephony and internet provision.

But it is now that the business faces its strongest competition on all fronts.

Two private companies, Sapphire Networks and CTS, have been working to supply alternative services claiming lower prices – and there's the prospect of still greater competition to come.

Newest on the scene is CTS, which was granted 40,000 landline and 100,000 mobile numbers, when licensed at end 2007. However, for Gibtelecom's access charge and technical reasons to effectively share access to cabling and at key junction boxes, it was a year before the CTS 216 fixed line prefix could be made workable, even within Gibraltar.

Competitive power

The firm, started 22 years ago by Oxford couple Angie Jones and Steve Lambourne, began in Gibraltar in 2000 providing computer systems services, data recovery and server hosting. But in late 2003 it evolved into a telephony service provider offering international voice routing over the internet.

At that time, Gibtelecom charged between 19p and 29p a minute for direct dial UK calls, while Steve says CTS came



Engineer working on Gibtelecom's advanced switching equipment.

in at 12p for businesses and 8p for residential customers using VoIP (Voice over Internet Protocol).

By end-2008, Gibtelecom's rate for those calls was down to just 7p a minute, illustrating worldwide trends and the power of competition, with CTS countering with an alternative £10-a-month unlimited call package.

"With regard to Local Loop Access, we've been trying to gain access for about 18 months, but the pricing structure from Gibtelecom is ridiculous and we believe, anti-competitive. The Regulator is reviewing this situation at present", Steve said in December. As a result, CTS offers a variety of wired and wireless solutions.

Sapphire Networks in late 2004 was the first fully independent telecommunications company to be granted a licence born out of the takeover by its Broadband Gibraltar Ltd of the 1995

independent internet pioneer company GibNet Ltd.

Prompted by demands from the growing number of Gaming companies for a secure and reliable mass data network, Sapphire decided to invest over £6m to satisfy the 'high end' corporate business market – bandwidth & speed-hungry businesses – and other internet and potential landline traffic.

By end-2007, it completed installation of a 10km ring of fibre-optic cable – capable of handling far greater volumes of data and voice traffic at much faster speeds than traditional copper cabling – utilising Ministry of Defence and GibElec ducting around The Rock.

It also had installed a 6.5km fibre optic cable through the frontier to La Linea in Spain!

That gave Sapphire its trump card by making possible internet and leased lines through dual independent fibre optic data links via Telefonica and ONO to its Madrid Point of Presence (POP) data management centre.

Sapphire, like Gibtelecom, uses a Telefonica link to Madrid, but also backs this up with a separate ONO fibre data link to help ensure complete reliability of service with differing technologies.

Dual supply essential

(The POP supports multiple customers for any service they need, including next-generation services such as triple and quadruple play, and high-bandwidth business applications.)

With southern Spain traditionally the weakest link in the international communications chain to Gibraltar, this dual arrangement has been essential for Sapphire, as with the other key market players.

Continued P22

Competition from P21

“As a result - by using two independent companies through Spain - there has never been a time when both are down at the same time”, explains Lawrence Isola, Sapphire director and chief executive.

“Being ‘out’ even for a fraction of a second can cost some companies thousands of pounds and make or break a deal; we have had 100 per cent up-time”, he adds.

Undoubtedly, with one eye on actual and anticipated greater competition, Gibtelecom has continued its policy of investment in and upgrading of its networks and infrastructure.

To satisfy customer demand for internet ‘Hosting services’, Gibtelecom commissioned a state of the art data and server hosting centre at its Mount Pleasant premises.

Such was the demand that the facility was quickly oversubscribed and a second £1m phase launched in November 2008.

£20m+ invested

Gibtelecom’s Network Operations Centre is also based at Mount Pleasant providing 24/7 call centre facilities and network monitoring of its local and international infrastructure.

To help stay ahead, “some £20m” was invested in the 2001–2006 period on technical and physical developments, according to Tim Bristow, Gibtelecom chief executive

Still more has been spent since then, including at Mount Pleasant and on establishing in January a John Mackintosh Square building adjacent to the Haven and City Hall, where much of the company’s fixed line switching and internet equipment is located.

For more than two years, Gibtelecom has also each month been offering a new price reduction or service enhancement. However, as the dominant supplier Gibtelecom is prevented under Competition rules from cross-subsidising its different products, many of which are inter-related, and provided on a cost-plus basis.

Majors in broadband

Gibtelecom told Gibraltar International, that even in 2008 it was the major broadband supplier with an estimated 90 per cent market share.



Monitoring of Gibtelecom’s network and international routes at the Network Operations Centre

Nevertheless, Sapphire after three years claims an impressive 50 per cent of Gibraltar’s Gaming Companies use its internet services, although some financial services businesses contract with more than one company to safeguard continuity of service – a belt and braces approach.

Isola, who also manages Europort, Gibraltar’s largest commercial centre, also says that Sapphire has quietly targeted specific market segments and captured four trading companies and four banks as well.

He maintains that Sapphire’s pricing offers significant savings over Gibtelecom for high-end internet bandwidth users,

especially on three year contracts, and still bigger savings for its leased line customers.

Land line use in Gibraltar – as elsewhere in the world – is falling in relation to mobile calls and also because of use of VOIP by companies as well as by individuals. Gibtelecom estimates that over 60 per cent of Gibraltar households have a broadband internet connection.

High internet bandwidth

The number of internet subscribers grew around 15 per cent to just over 8,000 in the year to 2008.

Continued P24

Gibtelecom ADSL price reductions and free bandwidth upgrades



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Competition from P22

The Company's latest annual report (published in November) shows 2007 fixed line revenue only slightly down at £9.6m, but that was before significant price cuts last year; wireless turnover however, was up by just over 16 per cent year-on-year to reach £8.45m.

Gibtelecom investment in bandwidth capacity enables high IP bandwidth availability via diverse and resilient international routes crossing Spain and links to Morocco. Since 2002, the Company's bandwidth capacity has increased over thirty-fold.

This year, Sapphire expects to get its own telephone numbers and plans an attack on the residential and small business market with extensions to its cabling "to take in the whole of Gibraltar's west side from Main Street down so that we can begin in mid-2009."

At that point, Sapphire hopes to make further price reductions and introduce product bundles with advanced telephony features on the network", Isola reports.

Technology convergence

A similar convergence strategy is being pursued by Gibtelecom, which does not believe that competitors are always providing services at lower prices and "definitely not with higher standards", said a spokesperson.

Late last year CTS introduced a novel twist with WIMAX internet, the world's first self-install subscriber unit, eliminating the need for installation engineers and provided free with subscriptions. It also gives the same speed for upload, which is particularly useful to business.

In the first year of service, CTS handled at least £1m worth of calls and now aims for "the lion's share based on ease of use and price, our 512kb ADSL offering being around half the cost of Gibtelecom", explains Angie Jones, the business director for CTS.

The Company also claims line rental savings for the business community by providing tiered ISDN lines from 8 to 30 channels (lines/simultaneous calls) and paying only for the amount needed.

A business needing 10 channels, for example, would pay CTS £400 installation and £100 rental per month,



Gibtelecom engineers working round the clock to ensure service throughout The Rock

whereas it says Gibtelecom would cost significantly more - £1,500 installation and £610 rental!

In February 2007, Gibtelecom concluded the first roaming agreement with a Spanish operator, Telefonica, allowing Gibraltar GSM customers to use mobiles throughout Spain as a result of Spain recognising Gibraltar's +350 International Direct Dial Code. Gibtelecom also roams with other Spanish mobile operators.

Gibtelecom then boasted 24,000 GSM customers with a per capita penetration of 83 per cent and since then Gibtelecom and other networks have concluded wider mobile access agreements with greater use and lower prices.

In November 2007, Gibtelecom revealed investment of over £2m in upgrading its mobile network to 3G standard, High Speed Downlink Packet Access and an intelligent pre-paid platform, aided by the substantial experience of its much larger Slovenian shareholder, which operates in eight other (mostly south-eastern European) countries.

TIME challenge

That meant higher speed internet access on mobile handsets and prepaid customers being able to make outgoing calls whilst roaming across networks.

And as a pointer for the future, Telecom Slovenia's 2007 annual report

notes: "We will continue to address the TIME (Telecommunications, Information, Multimedia, Entertainment) challenge, with a special emphasis on all activities that concern content development and supply."

Telekom Slovenia's Report described Gibraltar as "a small but very developed Mediterranean market with huge development possibilities in the area of international operations".

CTS has developed its independent broadband network for Gibraltar initially using microwave links across the border, and is in the process of installing its own fibre-optic circuits.

It is now investing around £3m building a 3G network to support advanced features, including high speed mobile broadband and expects to be running in the first quarter of this year to give CTS a target 30 per cent share of the mobile market.

More competition

"Everything will go mobile in future, because there is no need for a landline; our variety of connections will give customers an effective fixed line facility", says CTS' Jones.

Last summer, the GRA noted: "With all the available options, one of the most important choices consumers will make is deciding which Internet Service Provider (ISP) to use and it is the GRA's role to promote the development of competition in the internet services market thereby increasing consumer choice and the possibility of reduced prices for better quality products."

It went on to report that there were eight companies providing a variety of fixed and mobile networks and services, "a slight increase".

But the GRA also revealed: "There continues to be interest from several companies, which provide services and networks in other countries, to establish facilities in Gibraltar".

That interest may be as stand-alone ventures - Cloud Nine, a Guernsey-based mobile network operator made Gibraltar business presentations last year - or another company that may see the Gibraltar strategic potential!

Report by Editor, Ray Spencer

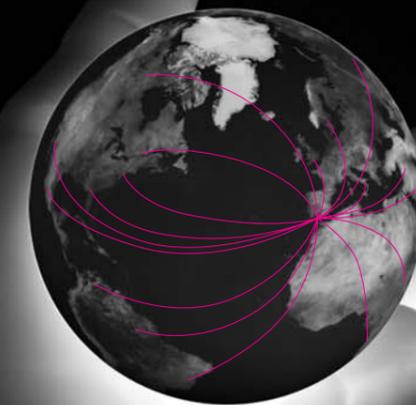
* See also *Gibtelecom sale in prospect* -

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In touch with you...

Balancing risk and reward - young, local talent needed to support private banking

Welding the staff of two private banks into a single team, S G Hambros Bank (Gibraltar) managing director Emma Perez shares her concern at the lack of 'home grown' expertise with *Gibraltar International* Editor, Ray Spencer.

As a local pupil who gained 'A' Levels at Westside Secondary School 38 years old Emma is keen to encourage more school leavers to find out what the Finance Centre has to offer, particularly in specialist banking.

Although it can be good to have work experience beyond The Rock, she thinks more attention in the banking area at Career Fairs and similar activity with schools can help to ensure there are future generations of Gibraltar bankers.

"There is no problem with recruitment of youngsters into the accountancy and legal professions in Gibraltar, but when it comes to insurance and sophisticated banking there is a real shortage of suitable applicants", Perez maintains.

And she should know - as a bright, studious 18 years old, she was advised by the then Hambros head to get herself a qualification suitable for the finance sector and trained with KPMG as an accountant before joining private bank Credit Suisse in the finance department.

"The majority of my contemporaries in accountancy have also gone on to hold successful senior positions locally", she points out.

That choice of career training bi-passed the University route, but still enabled her to become the SG Hambros financial controller just over 10 years ago.

Since then Perez has seen SG Hambros, part of French banking giant Societe Generale, take over two other pure private banking operations. In 2003, SG Hambros took on the private bankers of Credit Agricole, which ended its Gibraltar operations. It was then that Perez became deputy managing director



of S G Hambros. And five years later, S G Hambros gained the local private banking business of Dutch ABN AMRO.

Now, the enlarged pure private bank in Gibraltar claims to be the third largest on The Rock with some £1.3 billion assets under management and £700m of deposits to support its low risk small loan book.

Emphasising the strength of the operation, Perez says there was "remarkable synergy" between ABN AMRO and SG Hambros - "in general the staff welcomed the acquisition" - and there was "surprisingly very little overlap" in the 1,500-strong combined client base.

There is new language strength too, with the former ABN team adding German and Danish speakers, as well as Dutch, which gives Perez a growing opportunity to further serve clients from the Costa del Sol and the Algarve.

"We are not a tax exempt bank, so we are able to take deposits from Gibraltarians as well as clients across Europe and the rest of the world and

that gives us an advantage at present over some others here", she explains.

Doubling profitability

In mid-June 2006, Perez was offered the top job at SG Hambros following the departure after six years of Franco Cassar — now head of operations for Barclays (Gibraltar) — who had first spotted her talent for attention to financial detail and recruited her as his deputy.

"In that way there was continuity of management and no upheaval", she said, "and since then we have doubled in size each year in terms of profitability".

Even in December amidst the financial market turmoil, Perez claimed an increase both in the number of private banking clients and in client activity.

In part this is because Hambros has always taken the strategic decision to lower its entry threshold into private banking from the more usual £250,000 minimum disposable asset holding to include those people with over £100,000 "with the potential to grow" the fruit of established relationships with other banks across the border.

It's also partly to do with client concern at poor investment returns from their traditional investments.

Staff are utilising a client profiling system called Wealth Solutions to question all clients on their attitudes to investment and risk, which is "focusing their minds in a more structured way.

Perez calls it "risk management both for the client, to establish individual investment profile, and for the bank to safeguard its operational profitability".

The bank's clients are "concerned about counter-party risk, particularly

since Lehman Bros collapsed and we are reassuring clients about where to put their money - some have gone into Government Bonds and others are limiting their exposure to any one sector, preferring to diversify".

But at no time in her career has Perez had clients of her own - something of a phenomenon in private banking circles. "My background is my background and it is as an accountant with the aim of balancing risk and reward elements operationally", she declares.

Sharing the load

So, following creation of the enlarged operation, two members of staff with wide hands-on experience have been appointed to the SG Hambros (Gibraltar) Board to share the load increasing the number of local directors to five. The new Director responsible for the Hambros Ex-patriot Team is Claudia Rolf - a German national with 14 years local banking experience- was formerly ABN AMRO Gibraltar's head of private banking.

And with 40 years banking experience and having joined SG Hambros as part of the Credit Agricole acquisition, Gibraltarian Elliott Federico is now the Domestic Team Director.

Perez when aged 11 moved with her family from Grimsby in North-east England when her father, Dr Robert Myers, became consultant anaesthetist at Gibraltar's St Bernards Hospital.

She met her husband, Lieut. Col. John Perez, when she was a 15 years old schoolgirl and he a private in the Gibraltar Regiment where he is now the Commanding Officer.

"We are extremely competitive and both in management positions", she observes, "so we can understand and share issues and experiences, bouncing ideas around". Having married in 2004 and now with a three years old daughter Elena, Perez combines a demanding job, Army wife commitments and a busy social life, with no thought of what she might next aspire to do with her career.

Husband John is expecting to retire within the next year "giving us quite

enough change to think about for now", she explains.

Tougher times ahead

In the meantime, commercial life is becoming tougher in Gibraltar, because of the poor world economic situation. "It's a bit grim in finance at the moment with some businesses starting to tighten their belts with general cost cutting measures", she notes.

Nevertheless, she sees opportunities for further growth for Gibraltar in insurance captives - those subsidiary companies formed to insure or reinsure the risks of parent and associated group companies as an alternative risk management solution to the conventional insurance market - and also the ever growing funds industry.

"The key for Gibraltar's continued success is not being too dependent on any one sector. Being a small place, we know where our strengths lie and are able to adapt our product offering to maintain our popularity", maintains Perez.

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CREDIT CRUNCH are the 'Words of the Year', but it's not all down to doom and gloom...

Susie Dent, the lexicographer and resident dictionary expert and adjudicator on Channel 4 TV's long-running game show Countdown, reckons that the words on everyone's lips to sum up 2008 are CREDIT CRUNCH.

Surely few people can think why that should be! But the term joins a host of other new or newly-revived words – some serious, and some rather more light-hearted – in her latest book, *Words of the Year*, published by Oxford University Press.

Words of course, are the way we communicate – sometimes more effectively than others. And English is a living language, making its nuances interesting and confusing.

The people producing the Oxford English Dictionary say the 42nd most common word is UP. It's listed as being used as an [adv], [prep], [adj], [n] or [v].

It's easy to understand UP, meaning toward the sky or at the top of the list, but at a meeting, why does a topic come UP, why are the officers UP for election and why is it UP to the secretary to write UP a report?. We lock UP our home and clean UP the kitchen.

At other times the little word has a special meaning. People stir UP trouble, line UP for tickets, work UP an appetite, think UP excuses and wrap UP gifts.

And this UP is confusing: a drain must be opened UP, because it is stopped UP; we open UP a shop in the morning, but close it UP at night! When it threatens to rain, we say it is clouding UP; when the sun comes out we say it is clearing UP and then, things dry UP.

We seem to be pretty mixed UP about UP! Extending it a little more, why are we are down on our UPpers, when we are UPping the anti, and as a result, possibly getting our come-UPpance!

It's easy to understand why people

might see this language thing UPSide down.

So words can be interesting and confusing; how we use them, even more so.

A look at some pairs or groups of nouns that we most use reveals that man is 7th, whereas child is 12th and woman 14th!

Work, however, is at number 16, but play and rest do not feature at all in the top 100! Now problem is 24th, but there is no solution in sight and while money is surprisingly low at 65, cash is absent.

STAGFLATION, or JINGLE MAIL, Words of the Year also looks at expressions from other areas of our lives – including online social networking, ethical living, and the world of styling – that have been 'bubbling under' in 2008.

It was a year when the Google internet search engine increased its linguistic dominance thanks to our quest for GOOGLEABILITY, and the newer MOOFER (mobile out-of-office worker) and SCUPPIE (Socially Conscious, Upwardly-mobile Person – a socially responsible yuppie) came to reflect our modern working lives.

“
the world's financial markets
have been one of biggest
generators of vocabulary
in the year
”

But I digress. Susie Dent tells us: “As recession fears escalated, it may be productivity of the linguistic kind that is the safest bet.

‘Credit crunch’ is an example of an established term – it was already in currency back in the 1960s – being resurrected as circumstances change”.

And if you haven't already guessed, the world's financial markets have been one of the biggest generators of vocabulary in the past year, Ms Dent maintains.

In addition to the now familiar financial terms such as NINJA LOANS,

The 2008 bank of credit crunch words of the year also includes such diverse terms as IPOD – an acronym for ‘insecure, pressured, overtaxed, and debt-ridden’ – and FUNT – someone who is Financially UNTouchable!

CRIPES, as Boris Johnson would say (using a dated word expressing surprise or dismay), let's not become a DOOMER (an abbreviation of ‘doom-and-gloomer’).

I'd better end where I started, by shutting UP – thanks Susie.

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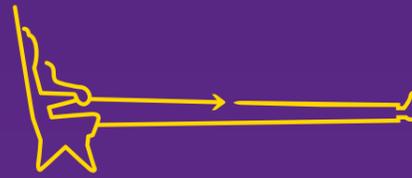
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