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**Chief Minister,
Peter Caruana**

GIBRALTAR

SCULPTS NEW FUTURE AS A FINANCIAL ROCK

Gibraltar, the tiny British Overseas Territory nestled at the mouth of the Mediterranean, is nearing the conclusion of a 15-year mission to clean up its act. The Rock has been steadily chipping away at its legislative edifices to remodel the enclave once viewed by outsiders as a sunny place for shady businesses, into the shiny new financial centre it appears today.

At the centre of this considerable project has been Gibraltar's chief minister, Peter Caruana.

With elections just around the corner, the territory's political leader is keen to stress that since his party gained power a decade and a half ago, the jurisdiction has been steadily shifting away from its unwanted reputation as a shadowy tax haven. 'Gibraltar has been on a journey to reposition its financial services centre from a tax haven, as we were then in 1996, to an onshore European finance centre which has ceased to be a tax haven and no longer meets a single one of the definitions of a tax haven,' explains Caruana. 'It has been a difficult journey for a small economy to transition in this way but it has been wholly worthwhile and a valuable process. Especially as what we find is that in the aftermath of the global financial crisis the world is beginning to bear down on tax havens, and having already done all of the work and all the repositioning, Gibraltar is ready to take the opportunities that being 15 years ahead of the game gives us.'

The final step on this journey, in January this year, was the introduction of new tax laws that brought Gibraltar into line with the rest of the European Union. The enclave has therefore done away with its former exempt status tax regime that allowed overseas, or 'offshore', companies to not pay tax while onshore businesses had to pay a 35 per cent rate, and instead introduced a single 10 per cent corporation tax across the board.

'We have abandoned discriminatory tax between onshore and offshore businesses,' Caruana says. 'We have also entered into a wide-ranging network of tax information exchange agreements and now participate with multilateral regulatory bodies. We have offered ourselves and been assessed by multilateral organisations like the IMF [International Monetary Fund] and the FATF [Financial Action Task Force] against current international benchmarks and have had excellent reports from each of them.'

Gibraltar, like many other tax havens such as the Cayman Islands, Bermuda and Switzerland, had come under increasing pressure from governments and organisations like FATF and the Organisation for Economic Co-operation and Development (OECD) to share information and help prevent tax dodging. Caruana has now signed around two dozen regulatory and tax information exchange agreements with countries around the world. *[continues on page 2]*

[continuing from page 1] 'Our finance centre has abandoned the offshore product in favour of offering a full range of mainstream onshore financial services like fund management and insurance. So Gibraltar has undergone a huge repositioning and with it a completely positive transformation of its reputation from tax haven to an onshore European finance centre compliant with all EU and international directives and treaties on responsible behaviour.'

A number of financial services and insurance firms have already made the Rock their home, with a thriving group of online gaming companies still more than content to remain despite the increase in their tax rate from zero to 10 per cent.

“ It has been a difficult journey for a small economy to transition in this way but it has been wholly worthwhile and a valuable process”

Caruana stresses that this recalibration of the corporate tax regime has allowed the government to balance out its fiscal policy by slicing the top off personal tax levels, which were, surprisingly, among the highest on the continent.

'This shift in our economic model did offer, when we first looked at it, very significant fiscal challenges for the government,' he admits. 'The corporate tax changes meant we were unsure whether there would be a net loss in our tax revenues or revenue neutrality.' The tax changes have only reached halfway through their first 12-month period so it is difficult to evaluate, but the chief minister is confident that the public purse will not lose any of its comfortable bulk.

Fresh budget figures (4th July) show the economy grew GDP 6.5 per cent last year to a GDP of £954 m, with provisional estimates of GDP 2010/11 pitched at £1 bn and thus implying growth of 5 per cent.

'All evidence says that our revenue will hold up,' he asserts. 'We have pitched the changes that will at worst be revenue-neutral and at best will result in an increase in corporation tax takings, which will enable us to reinvest those additional proceeds and continue to lower personal tax rates, which have been among the highest in Europe.'

“ From tax haven to an onshore European finance centre compliant with all EU and international directives and treaties on responsible behaviour”

The top rate of personal tax has been vigorously trimmed from 50 per cent to an effective rate of 25 per cent, as of the new budget, and Caruana says the government hopes to continue to lower this further. He adds that the government has been able to maintain its fiscal surplus and happily, in this year of elections, has announced record figures in June's budget.

Three parties

The government's new tack has not all been plain sailing. The shadow cast by

TAX CUTS AND OTHER CHANGES MEANS THAT

Everyone earning up to £8,000 p.a. will continue to pay:

zero
tax

Everyone earning up to £15,000 p.a. will now pay tax at an effective rate lower than

11%

Everyone earning up to £20,000 will pay an effective rate lower than

15%

Everyone earning up to £25,000 will pay an effective rate lower than

17%

Everyone earning up to £40,000 will pay an effective rate lower than

20%

The maximum effective rate of tax in Gibraltar is now

24.99%
(not reached until income of £300,000) and then the rate begins to fall

MACROECONOMIC POSITION

GDP last year £954 million – grew in 2010/11:

6,5%

Gibraltarians in employment at record high of:

10,706

Government surplus 2010/11:

£31 million

Capital expenditure 2010/11:

£158 million

Net Government debt of £217 million:

23%
of GDP



Peter Caruana smiles as he remembers the whole process of shifting the economic model

AS A RESULT OF TAX CUTS

43%
of people who pay tax now do so at an effective rate less than 15%

85%
of people who pay tax now do so at an effective rate less than 20%

100%
of people who pay tax now do so at an effective rate less than 25%

TAXES REDUCTION

All people on the Allowance Based System will receive a tax cut of at least £300 or

2%

of tax now paid, whichever is greater



“ The Spanish have engaged in an intense campaign of violating and diluting and undermining British sovereignty of Gibraltar's territorial waters”

'Spain appealed against something that the EC did not appeal,' Caruana laughs. 'But the European Advocate General has pronounced in the last few weeks an opinion that is entirely favourable to us, and given everything that has happened to date we are more than confident that the final ruling will also be in our favour.'

Furthermore, trilateral discussions between Gibraltar, Spain and the UK have been ongoing for some time now, focusing on six areas of future co-operation. While only a few topics need to be negotiated before agreements can be signed, the process has snagged on two devilish details relating to the environment and the law enforcement of the waters around Gibraltar.

As Caruana explains: 'The environment is a shared one and should not be affected by our political differences in sovereignty. Similarly in law enforcement, this is an area of large-scale movement in illegal immigration and drugs, mainly from Morocco to Spain. And we all share the view that cross-border international delinquents should not be beneficiaries of lack of co-operation between the three parties. There are six areas of agreement of which the marine element is only a small slice. The rest of the six are almost settled and completed, and for the tax agreement, we are ready to sign an agreement tomorrow. After all, Spain is a major trading partner and we want the Spanish to stop seeing us as a threat to their public purse, but it falls foul of Spain's desire to sign all six at once.'

The chief minister believes the matter has been further complicated by Spain 'changing the position of the goalposts in the middle of the game'. While these trilateral discussions have continued, Caruana points to an incident where a Spanish police boat landed on the Rock in pursuit of suspected criminals and another one in which 'they physically intervened to prevent the Royal Gibraltar Police from exercising its policing powers in the water'.

its close neighbour to the north has been growing. Spain, understandably still sore that it ceded ownership of the Rock to the British in the Treaty of Utrecht back in 1713, occasionally indulges in intimidatory tactics. On the lighter side, it tossed a spanner into the recent legislative works: when Gibraltar claimed a victory in the lower courts over litigation relating to a tax scheme (that has since been abandoned, Caruana says) that was challenged on the basis that it might violate regional selectivity laws, the European Commission decided not to appeal. Spain did though.



Gibraltar's waters Argument with Spain is far from at an end

He adds that the mainland government attempted to register Gibraltar's territorial waters as a Spanish conservation area under the EU Habitats Directive 'thereby trying to completely usurp in a EU context the sovereignty of these waters'.

'The Spanish have engaged in an intense campaign of violating and diluting and undermining British sovereignty of Gibraltar's territorial waters,' he laments. 'This escalation is not consistent with the co-operation agreement being discussed.'

'It is vital for the defence interests of the UK as much as for the political rights of the people of Gibraltar that the UK politically and diplomatically does the necessary to uphold Her Majesty's sovereignty of these waters and that they assist us through physical Royal Navy presence in asserting and upholding it. 'The government of Gibraltar does not advocate, nor do we think it is in the interests of anyone, resorting to gunboat diplomacy between members of the European Union in the 21st century,' Caruana con-

cludes. 'That would be the thing we would least wish to do, but if the UK cannot persuade Spain to share that view and to stop the physical incursions and the physical assertion of sovereignty by the use of her navy and her law enforcement officers, then the UK has a duty to deploy its own boats here, not to fight gun wars with Spanish boats, but at least by its presence to make a loud and clear statement about its determination to uphold Her Majesty's sovereignty of these waters.'

A place of opportunities

INTERVIEW JAMES TIPPING, FINANCE CENTRE DIRECTOR *Financial centre's tortoise package appealing to fund managers*

Thanks to Gibraltar's dramatic fiscal makeover, the Rock's financial centre is now more attractive than ever and is looking to lure the asset management industry on to its shores. 'The package that Gibraltar offers – international and European standards of regulation plus low tax – certainly puts us forward as a candidate country where operations can come and establish or domicile a new or sister operation,' says James Tipping, finance centre director for the government of Gibraltar.

'We are at the early stages of a clearly identified area that we think the package Gibraltar offers, which includes low tax, works extremely well for asset management companies.'

The financial beautification process undergone by the enclave is more than just skin-deep, with the recent removal of discriminatory tax rules part of a long-term financial fitness programme exercised by the local government. So as Gibraltar has cleaned up its act, the financial centre has attracted more new industries.

'There are three main business areas we are focused on today,' explains Tipping, 'high value-added private client work, which is now tax structured in all jurisdictions; insurance – both captive insurance and retail insurance, like motor, general and so forth; and now asset management and funds. They are the three drivers we see going forward. Those three have not suddenly developed from the 1st of January – but as the government has flagged up this for some time, the industries have naturally built up.'

Then you look at other things, like the fact that we don't tax investment income for anybody, and that there's no stamp duty or CGT.'

But, like the rest of the Rock's business development, the tortoise's approach is chosen over that of the hare, as Tipping reveals. 'We have to be realistic. We have a significant international and European presence in insurance and outside the financial services industry in gaming. How was that achieved? By one or two or three significant operations coming to Gibraltar and others following. What we'd like to see is the asset management industry follow that path. We don't have a significant European presence there yet.' And the finance centre director assuredly is happy to boast that speed is not one of the local industry's selling points.

“ I would rather somebody took a year and establish in Gibraltar for the long run, than just make it on the basis of tax ”

“ There are three main business areas we are focused on: high value-added private clients, insurance and asset management ”



James Tipping emphasises 'The Gibraltar package' actually starts with reputation

Tipping is pleased with how far the different strands of the sector have come in recent years. 'Looking at Gibraltar's financial services sector 20 years ago, the private client work was almost exclusively low value-added work – the provisioning of bank accounts, etcetera.'

'The repositioning has already led to the insurance industry developing from 2001. And what we're seeing now is a third new shift for fund management companies, which is coming now as Gibraltar is being used within the EU, due to the access to financial passporting of products between countries and the single European market for investment services.'

The government's new low-tax-not-tax approach, while an attraction, is determinedly not the primary reason why fund management companies are being driven to the enclave, Tipping insists, it is just one of the components of 'the Gibraltar package'.

'The package actually starts with reputation,' he says. 'No serious business outside of Gibraltar will consider us without that, as reputation will be their primary concern. Then Gibraltar has to offer regulatory standards. Ticking all the boxes that risk management and compliance people expect.'

'Responsiveness can mean cutting corners. The government doesn't include that in its vision. Quality business does not want quick; it wants quality, which takes time. Our approach may be called conservative, but only in that we want to attract quality business. A quality business will do a very large amount of homework to make sure it is content. I would rather somebody took a year and establish in Gibraltar for the long run, than just make it on the basis of tax.'

This approach has served the peninsula well. The government's policy has been to grow conservatively, prudently, Tipping points out, which means growth has continued and is likely to continue. 'The lack of leverage means that when you're doing well you're going well, you're moving forward, but you're not overly pressing the accelerator so when things go badly you don't hit a brick wall, you keep on going. So Gibraltar is determined to consolidate and continue to grow as a complementary jurisdiction to the UK.'

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ACCOUNTANCY

DELOITTE PLANS FOR GROWTH

Established in 1991 by Joseph 'Pepe' Caruana and Stephen Reyes, Deloitte is one of Gibraltar's leading accounting and auditing firms. Pepe and Reyes initially founded the firm as a small, two-man operation before the international Deloitte brand, which was looking to set up a presence in Gibraltar, offered to take the fledgling company under its wing. From these humble beginnings, the company now has five partners and 48 staff. This expansion has allowed it to widen its focus over the years – although still primarily an auditing practice, Deloitte's tax advisory and compliance services are now a growing part of the firm's work.



Stephen Reyes predicts good things

have been 'very positive'. 'The good thing about the 10 per cent rate is that we now have a system that's compatible with our membership of the EU; and Gibraltar's success is intricately linked to being a member of Europe.' Referring to Spain's complaints to the European Court of Justice about the territory's tax regime, Reyes argues that it is now 'difficult for anyone to say that it's a system that's not compatible with Europe.' 'We've come a long way from where we were 20 years ago,' he says.

The current trilateral talks between Gibraltar, Spain and the UK are a process he hopes 'will open up the doors for Spain to have confidence in what we do.' But whatever happens on a higher political level, Reyes argues that 'at a business level there is no mistrust' between Gibraltar and its neighbour. Indeed, Reyes argues that Gibraltar's position as a 'gateway to Europe' could be invaluable in helping a struggling Spanish economy attract international investment, particularly from South American companies. 'As a finance centre we would love to be able to do business with Spain,' he opines. 'It's a market on our doorstep, a market we understand, and we get on well on a personal level with the people.'



Urs Hüni says Turicum is free to find the best deals for its clients

PRIVATE BANKING

BANKING STABILITY AND SECURITY REIGNS ON A CORNER OF THE ROCK

Security before return.' This defines the ethos of Turicum Private Bank, and perhaps, uniquely as the only private bank founded on the Rock, it also represents the thinking of much of the enclave.

The phrase was uttered by the bank's chief executive Urs Hüni, a lifetime private banker himself, previously with Credit Suisse. He joined

Turicum in 2003, a decade after it was founded. 'Turicum is the Latin name for Zurich. Our roots are in Switzerland.'

Hüni explains that 'the owners of the bank, who are mainly big independent asset managers, thought at the time it would be good to have a bank in a jurisdiction outside Switzerland but within easy access, with no

time difference and within the EU, to handle a certain private client base with different requirements. It was a type of family office but with a full European banking licence.'

As such, Turicum's core speciality is in private banking and asset management, providing financial services on an advisory or a discretionary portfolio management basis. 'We have wealthy clients who are short on time to look after their assets,' he says. 'We also provide custodial services for investment funds, where we have been quite successful in the last couple of years.'

While every other bank on the peninsula is a subsidiary or a branch of a larger financial group, Turicum remains fiercely independent. It does not offer its own products, it is free to roam the market and find the best deals for its clients. He adds that due to the banking crisis there has been a certain amount of restructuring within the industry in Gibraltar, the fall-out of which he hopes the bank can take advantage of.

'In general terms I think the new regulations the entire financial sector is facing is one of the most important challenges,' he adds. 'It requires a high level of awareness, understanding and implementation, combined with an enormous financial effort. But thanks to our very conservative business model it will not affect us as some of the larger institutions.'

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A question of quality

INTERVIEW JOE HOLLIDAY, MINISTER FOR ENTERPRISE, DEVELOPMENT, TECHNOLOGY AND TRANSPORT *"We are investing £50 million to establish a first-class international airport"*

With Spain and Portugal both currently embroiled in the euro debt crisis, it is easy to forget that one small corner of the Iberian peninsula is in reasonably robust financial health. According to Joe Holliday, Minister for Enterprise, Development, Technology and Transport, Gibraltar has fared well during the financial crisis compared to other European economies. He argues, 'You only have to look at the growth figures to realise that while a lot of other economies are showing negative growth rate, we're still showing 5 or 6 per cent.'



“ We just want to make sure that whatever we do we do well”

According to Holliday, his Government has been keen to promote this 'serious' image to potential investors for some time. He argues, 'Ever since we came into office in 1996, one of our priorities has been to change the perception

of Gibraltar and to ensure we transmit a message of Gibraltar being a centre of excellence. Whatever sector we have tried to develop, be it the e-gaming industry, shipping or ship registration, they have all been done with a qualitative rather than quantitative aspect.'

Intrinsic to this strategy, he argues, are a number of high-profile projects aimed at improving the infrastructure and appearance of the territory, including the much-needed new air terminal. 'We

Terminal and frontier will be more welcoming to visitors

are investing in the region of £50 million in order to establish a first-class international airport with user-friendly facilities,' he says. 'The government is investing a very significant amount of money in this because it feels Gibraltar needs a new airport terminal.'

Holliday enthuses, 'The whole area of the frontier will be much more welcoming to visitors. We also need to understand that about 50 per cent of passengers who come into the airport are destined to go into Spain. We'd like to make sure that those people are impressed by the airport and want to see the rest of Gibraltar.'

While its air links and infrastructure have lagged behind until recently, in one area Gibraltar has definitely been ahead of the game – telecommunications. 'We have very sophisticated telecommunications infrastructure,' says Holliday.

Gibraltar's prime geographical location – at the meeting point of Europe, Africa and Asia – is crucial to its long-term prosperity. The continued importance of Gibraltar's port underlines that fact. 'The port has grown to become even more important in recent years,' says Holliday. 'In 1996 we had 4,505 vessels calling at the port, in 2010 it was 11,100. And with ships on the registry, in 1996 we

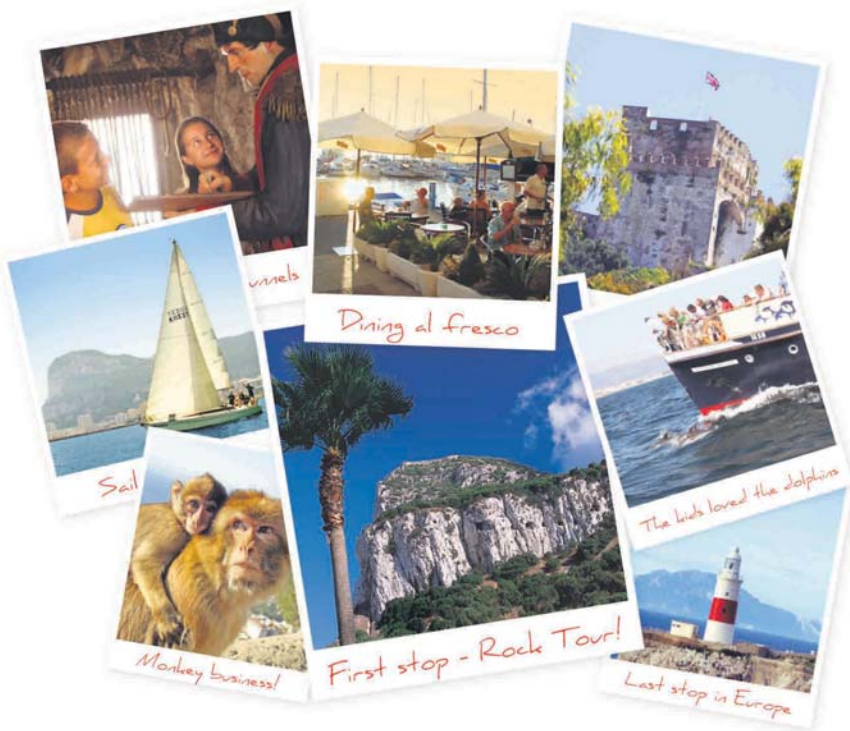


Joe Holliday emphasises search for quality rather than quantity

had 27 ships, now we have 320.' But Holliday is quick to point out that 'that number could be much greater if we didn't have a quality criteria when joining the registry.'

The Straits of Gibraltar sees over 100,000 ships going through it each year, says Holliday, but it is quality rather than quantity – once again – that he is eager to emphasise. 'We just want to make sure that whatever we do we do well.'

A picture paints a thousand words...



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The power relationships

INTERVIEW JOHN BASSADONE *Gibunco Group has gradually emerged from beneath the water and is now one of the largest corporate beasts of the peninsula*

Things in Gibraltar move slowly, with a change of pace and direction that could be likened to the modern supertankers, ships so large today they can stand almost as tall as the Rock itself.

Gibunco Group has likewise advanced slowly over the years but has done so astutely and now itself stands tall - not only as one of the most important businesses on the peninsula, but as a significant conglomerate on the Western Mediterranean coast and throughout the maritime world. The company's progress, akin to the gradual development of man, has been made from underwater animal to one of the great beasts of the peninsula.

Although primarily focused on supplying fuel to large ships, its other operations span such sectors as diverse as energy, maritime engineering, logistics, real estate and property development. And, while it now possesses a network of offices in leading international centres of commerce including London, Athens, Shanghai, Singapore and Dubai, Gibraltar's location was the key to the group developing such a rich and diverse business. The enclave stands at a crucial maritime crossroads, offering ships travelling some of the world's most essential trade routes east to west and north to south the opportunity to rest and refuel on its stony shoulders.

Gibraltar's humming port thus provided the origin but also the crucial catalyst for Gibunco, as the group began life as a commercial diving company set up by the patriarch of the Bassadone family, specialising in underwater hull cleaning and other sub-sea ship maintenance. The founder's son, John Bassadone, was immersed into the company in his teens, donning a wetsuit to fall in with the diving team. Before too long the young scion swapped that suit for a drier

pinstripe and is now, four decades on, the group chairman.

“ I began to look at developing the business internationally. We started to look at developing other types of equipment to do the work faster”

Bassadone attributes great importance to Gibraltar's strategic significance in the company's development, not least the amazing network of contacts and relationships it provided. ‘The reason we were able to grow in each of the new businesses, the major factor in all that – was that from the very start of our business we had extremely good relationships with ship owners. At the end of the day everything comes back to ship owners and the relationship you have with them.’

Hull cleaning is not the most glamorous of jobs but do it well and it wins you friends as it considerably cuts fuel costs. If owners don't clean their ships it hits them harder in the pocket, as the roughness of the hull creates drag and slows the vessel, requiring more fuel to keep to delivery schedules.

But back in the early days the family became concerned that they might get left behind – either that they were over-reliant on one subsector of the industry or that they might become vulnerable to technical advances elsewhere, or both. What sharpened the realisation was the temporary closure of the Suez Canal, drastically cutting the ocean-going traffic, and further encouraging the company to diversify.

‘We moved into doing major repairs to ships, collision damage, hull inspection, we even moved to doing at a local level marine civil works, coastal protection,’ says Bassadone, though he knew this was still not enough. ‘From this we had a core customer base of clients but I began to look at developing the busi-

ness internationally. We started to look at developing other types of equipment to do the work faster.’

Exxon in the US, which at the time was not just an oil producer but had its finger in a number of pies, had developed a technology to service its own fleet of vessels that it called SCAMP.

Gibunco became a franchise operator for this business and took a financial interest, helping the Americans develop the equipment and the business as a subcontractor. Then, when Exxon decided to divest themselves of all their subsidiary interests to concentrate solely on oil, Bassadone stepped in and bought the business, which included the US navy as a useful client all over the world. ‘So that was a commercial shipping business with a bit of military business on the side, and the military never have an economic crisis,’ he adds. ‘That was a big step for us. At the end of the day your customer is global as his ships are moving all over the place, so if you have a relationship you want to provide the service in as many places as you can. We achieved that having bought out the Exxon franchise.’

“ The reason we were able to grow was that from the very start we had extremely good relationships with ship owners”

This move also paved the way for the next significant step in the company's growth, as when the frontier with Spain opened, the market supplying fuel to ships docked in deep water, known in the shipping industry as bunkering, was very small. In fact it was limited to only one company, meaning many of the tens of thousands of ships passing through the Straits used facilities elsewhere.

‘Considering they had a refinery next door I approached [Spanish oil company] Cepsa and we set up a company, Cepsa Gibraltar Limited, for bunkering,’ Bassadone explains. That was the physical supply of oil from shore, via bunker ship, to clients' vessels anchored in the Gibraltar waters. The deals determining the supply and price of oil were out of his hands, however, concluded up in

John Bassadone explains about the joint house ownership where the government helps people to finance their homes at 50-50 with eventually option for full ownership

Madrid. But Bassadone saw another opportunity to bring this business internally and further leverage the network of ship owners. Gibunco Group incorporated Peninsula Petroleum Limited, a new bunker supply and trading company in 1996, out of a new London office. 'My son John started working in this business at a very young age and after a short time became Managing Director.'

'Those same relationships we had with SCAMP we tried to continue with the sales of bunkering,' he says. 'We started trading and selling the fuel we had in Gibraltar and then started trading in other ports. At that time you get to where you need to have a physical presence where you have your customers too. So we have been opening offices worldwide and we have been developing more volume and more business. My son John has worked very hard to develop this company. It's a very complex business but at the end of the day it's your good name, the reliability, products you're selling – it's reputation that really gives that added part of the business.'

reputational – you cannot cut corners, you've got to be open, you've got to provide the best you can and make sure it's the best. Then things come to you.'

“ It's your good name, the reliability, the products you're selling — it's reputation that really gives that added part of the business”

What started as a family business remains a family business, with son, also John, at 34 years old, clearly being groomed for the top position. 'If we are successful in keeping standards of services and remain competitive I think we have a good long-term situation,' says

Shipping is one of the most important activities in Gibraltar and Gibunco's core business. Below, one of Peninsula Petroleum Limited bunker barges supplying bunkers to a ship in the Bay of Gibraltar.



Hot property

As Bassadone's and the company's reputation soared, his natural entrepreneurship saw the Gibunco Group's activities diversify horizontally into a totally new area. As he recalls, during the Suez blockade the British government provided the Gibraltar government with funds, part of which were to build affordable housing. With the frontier open Spanish contractors were available, making low-cost developments 'much easier'. The company looked at various deals before joining up with another local company to form Montagu Group. 'This thing about all of a sudden moving from shipping into something else was because it was local to me, because I live here. So we were quick to look at schemes to build low-cost housing. But at the time we were doing this there was a change in government and the new group was forcefully trying to achieve what we were trying to achieve.'

Eventually relenting, the new governing administration was presented with two potential projects by Montagu. Each for 1,000 new homes. 'We presented two and the government said 'I think we're going to do both. They came up with the idea of joint home ownership, 50-50 between the person and the government, helping the people finance the purchases and giving them eventually the option for full ownership.'

'That was great for Gibraltar.' Since then, Montagu has worked with other partners on other projects and continued to grow domestically.

Lucky? Right place right time?

That all these deals find their way into Bassadone's welcoming lap might provoke less successful entrepreneurs to say he's been rather lucky, or perhaps blessed by some magical power. This he concedes: 'Of course we've had some luck to be in the right place. But I think it's partly intuition. It starts with a ship and the relationship with the manager and the owners of the ship which at the end is the customer. That connection, plus reliably providing the services and improving the services – what we've always done is improve what was there and develop new things. The relationship is key with ship owners. The building is my homeland, it was natural for me to do as a businessman. The essential part of the business has always been

“ We cannot exhaust our possibilities, as shipping is such a big industry, and so however big we are, there's always space to grow”

Bassadone, 'and that would be entirely due to management. My son has proved to me that he is also good at that, and therefore I am very comfortable – even with the ups and downs of shipping we have had over the last 45 years. We don't take major risks, we do business in a

safe way. We don't exceed ourselves; We grow. We could have grown faster, but we take our time. We do things more carefully. We look very long term.'

So while Gibraltar itself moves on and focuses on new business like gaming and high finance, due to its geographic significance it will always retain its strong connection with shipping. Thus, slow and steady, the Gibunco vessel continues to move forward and can expect many more years of growth, says the current family patriarch: 'We are in a line of business where we cannot exhaust our possibilities, as shipping is such a big industry, and so however big we are we are still doing a very small part of it, there's always space to grow.'



TELECOMMUNICATIONS

A WELL CONNECTED ROCK

The Rock is by no means just a favourable tax territory, it's also very well connected and becoming an increasingly attractive location for business. This year, the peninsula took a major step towards becoming an international communications hub as it became one of just a dozen or so stopping-off points for the gargantuan Europe India Gateway (EIG) submarine cable telecom project. The cable provides Gibraltar with high quality data transmission and capacity to help meet the future growth in telecommunications traffic.

There are 16 companies in the consortium that owns this \$700m high-capacity 15000 km cable system. One of the members is Gibtelecom, the main telecoms provider of Gibraltar.

Being part of the consortium means that Gibtelecom can no longer merely focus on domestic sales, as it has about a 4.5 per cent share of a product with huge international demand. Although the full cable is not yet complete, Gibtelecom's CEO, Tim Bristow, is already engaged in planning how to sell off the excess capacity the company owns.

'This cable is not just about Gibraltar; it positions Gibtele-



Tim Bristow is planning to sell off excess capacity

com internationally,' he says. 'Because, in actual fact, if we put all our capacity towards what our customers need today it wouldn't even hit 10 per cent of what we own - and that's without multiplexing electronics in a few years, which could probably triple the capacity. So we now have to sell that capacity worldwide, from the UK to Egypt, to India or destinations in between. So we will be setting up an international marketing function later in the year to be able to do that.'

This will be a transformational period for the company,

which has been acknowledged internationally for the quality of its service, last year being awarded the Recognised for Excellence distinction by the European Foundation for Quality Management. While Bristow is proud of this, he knows that staying at the technological forefront is even more important.

'Technology-wise we want to build the infrastructure that will enable us to put in next-generation networks, where ultimately in the longer term mobile, fixed and internet will all use convergent technology. We're starting that road map to be able to get there. It's a lot of investment for a small place but I think it's a important to make sure you invest in the business so that you can be there with new developments. We've gone very much into data centres and are now the main provider in Gibraltar. This is not just to accommodate the many internet-focused companies in Gibraltar - it could be that we can attract companies here that are comfortable enough that the jurisdiction can look after their computers for them; a low tax territory where the communications are up to speed.'

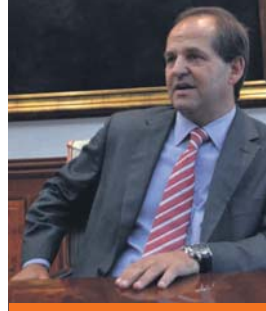
LEGAL SERVICES

LAW VETERANS ARE YOUNG AT HEART

Isolas is without doubt a venerable Gibraltarian institution - established by Horace Parody in 1892, it is the oldest law firm in territory. Together with the Fiduciary Group, it also has the largest private client base of any law firm in Gibraltar. But senior partner Peter Isola is quick to point out that Isolas is a long way from being a typical 'old family firm'. While the family element is clearly important - the company has never merged and its growth has been entirely organic - only two of the seven senior partners are Isola family members. And Peter Isola makes clear that the firm thinks of itself as 'modern, young and dynamic'. 'We're the oldest law firm in Gibraltar,' he says, 'but we have the youngest average age of any law firm.' Indeed, at 52, Isola himself is the second oldest on the payroll.

Having been president of the Chamber of Commerce between 2002 and 2007, Isola is in a good position to assess the current state of Gibraltar's economy. 'Considering the global economic situation, Gibraltar is doing surprisingly well,' he says. 'The property market is holding up, we're still seeing new businesses coming to the territory, the gaming industry is growing, the port is growing. Economically we're on strong ground,' he says.

An indication of this strength, Isola argues, is the fact that when young Gibraltarians go to university in the UK, the government pays the full cost. 'I think it's one of the best things that Gibralt-



Peter Isola says his company growth has been entirely organic

tar has ever done,' he argues. 'It transformed the number of people who went to university, who got a bigger outlook on life. It also meant a lot more professionals coming back to Gibraltar, and even if they don't come back to Gibraltar and they work elsewhere they become your ambassadors. I think the UK government is making a mistake with its policy on student fees - you need to get your people trained.'

To further illustrate the robust health of Gibraltar's economy, Isola points to Europort, the 82,000 square meter financial and commercial complex. 'When it was acquired in 2001 it was about 50 per cent full,' he says. 'Today it is 100 per cent full. And it has mainly been filled by gaming and insurance companies that have come setting up real presence. To me, it's surprising. Perhaps, being a lawyer, you're naturally pessimistic but the development has been constant.'

Isola has no doubts about the key factor that brought about that growth. 'The turning point was the opening of the frontier in 1985,' he says. 'If you want to point to one distinctive situation that changed people's outlook on Gibraltar, that was it.' And it wasn't only that Gibraltar could do business with Spain and Portugal, he argues. 'It was the fact that people looked at Gibraltar because it was in the news. It brought business to Gibraltar because it was getting international recognition.'

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Going after the biggest game

INTERVIEW PETER MONTEGRIFFO *Hassans benefited from being the law firm with the most international client base and has now received a great deal of business from the gaming sector, one of Gibraltar's newest and strongest industries*

Founded in 1939 by Sir Joshua Hassans, a leading figure in Gibraltarian politics and chief minister for a total of 17 years, Hassans has grown to become one of the world's leading independent law firms. As partner Peter Montegriffo observes, it was in the 1980s that Hassans began to outgrow the older, family-run law firms in the territory. 'When the frontier with Spain was fully opened in 1985, financial services in the territory really took off and Hassans benefited from being the law firm with the most international client base.'

Now it is by some measure the biggest law firm in Gibraltar, with an impressive 85 lawyers. Overwhelmingly, its most important market is the UK, with some work also coming from British expats living in Spain, together with clients in central Europe and Israel.

Asked how the new tax regime has affected Gibraltar's economy, Montegriffo emphasises just how much of a gradual process it has been. 'It's wrong to assume that this change has been overnight,' he says. 'Gibraltar has, particularly over the last seven to eight years, progressively moved more towards an onshore regime.'



Peter Montegriffo remembers that financial services took off after 1985

He concedes that Gibraltar can't now compete with the likes of BVI or the Cayman Islands, but then again 'it doesn't want to compete, because Gibraltar is part of the EU and needs to comply with EU rules.' However, a 10 per cent

tax rate is still very competitive, Montegriffo argues, and in some cases busi-

“ Gibraltar has, particularly over the last seven to eight years, moved more towards an onshore regime”

“ The court has already made clear that Gibraltar is entitled to have a tax status different to that of the UK”

nesses can get an even better tax return, given that, for example, Gibraltar has never had Capital Gains Tax or VAT.

Some EU members have complained about these advantages. But Montegriffo points out that Gibraltar has been excluded from VAT since joining the EU in 1973, according to the terms of its treaty. Spain has also re-

cently mounted objections to the European Court of Justice about Gibraltar's new tax status. This doesn't seem to worry Montegriffo who says that the court has already made clear that Gibraltar 'is entitled to have a tax status different to that of the UK.'

As with most law firms on the Rock, Hassans has received a great deal of business from one of Gibraltar's newest, and strongest, industries - gaming. Montegriffo explains that 'although Gibraltar has some of the biggest gaming companies, it actually has a very small number - 20 compared with Malta's 350.'

The government has kept the numbers down because of the sector's 'reputation risk'. However, its focus on attracting better-regulated licensees, and on making sure they have a real presence in the territory has meant that the industry has generated a significant amount of employment, with around 2,000 now employed in the sector. About 50 per cent of Montegriffo's work is now related to gaming, although he admits that when he began to specialise in the sector, he had 'no gaming background at all'. Beginner's luck indeed!

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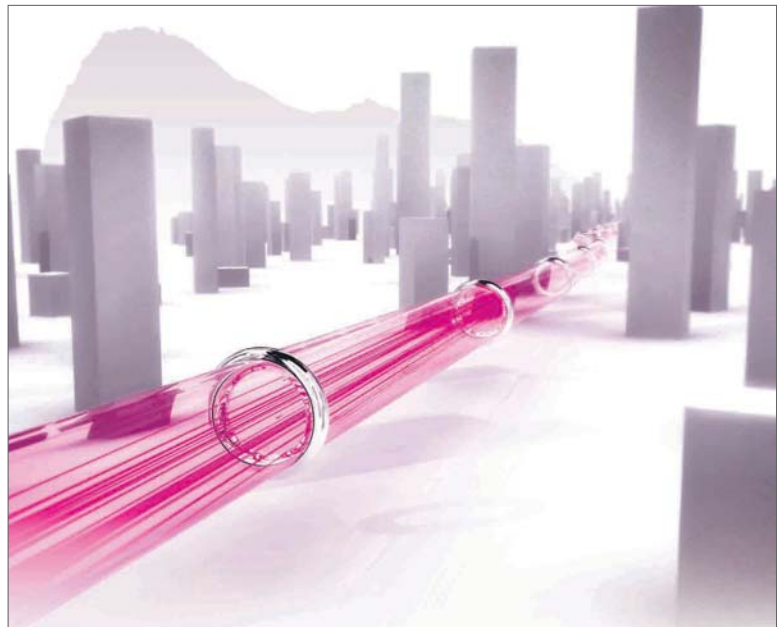


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IN TOUCH WITH YOU

MARINA RESORT

ROCK STAR — OCEAN VILLAGE

Sarah Drane

A man who has played a key part in Gibraltar's transformation is multimillionaire entrepreneur Greg Butcher. He saw the sea as Gibraltar's greatest asset, 'Gibraltar's Valderrama', so purchased 1980s-built Marina Bay and the adjacent brownfield site. His belief has seen the largest waterfront regeneration in the Rock's history changing the skyline forever – the £450m Ocean Village.

The multi award-winning Ocean Village is a marina resort with eateries, boutiques, offices and Gibraltar's only casino, which exceeded its five-year business plan within months of opening. The three blue glass residential plazas soar up to 17 storeys high, offering residents use of a health club and seven swimming pools set in tropical gardens. Due to demand, two further residential towers are in the planning pipeline.

Brian Stevendale, Director at Ocean Village, continues, 'With the resort infrastructure in place, we turned our attention to Gibraltar's huge berth deficit where numerous boats can be turned away each day.'

A multimillion pound expansion boosted the number of berths to complement

those existing in Marina Bay, also part of Ocean Village. Brian continues, 'Upon launch in 2003, our first residential plaza became the fastest-selling large-scale development in Gibraltar's history. The tower sold out in just four hours. Two successor towers were 80 per cent sold on the first day of off-plan release. Demand comes from local residents, international buyers taking advantage of favourable income tax rates and an influx of personnel joining

the burgeoning workforce. For purchase and rental our prices are going up, and the same goes for Ocean Village's commercial space.'

There is a critical shortage of office space in Gibraltar. Businesses across Europe are finding the Rock's tax structure appealing. However, there are fears that they won't be able to relocate because of lack of physical infrastructure. Greg Butcher has conceived a solution and secured the licence to es-



The three blue glass residential plazas soar up to 17 storeys high
www.oceanvillage.gi
www.worldtradecenter.gi

establish a World Trade Center – the world's greatest business address. The £60m seven-storey project will add more than 170,000 sq ft of office space. So great is the interest that there is now a waiting list for the coveted space. The number of jobs created by Ocean Village for Gibraltar's community will grow from 400 to in excess of 2,000.



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“A home away from home”

INTERVIEW ERNEST BRITTO, MINISTER FOR THE ENVIRONMENT AND TOURISM *“Gibraltar has all the advantages of the Spanish climate, but the added attraction that it is a sterling area outside the UK where a pound is worth a pound”*

Along with financial services, shipping and online gaming, tourism is a major part of Gibraltar’s economic landscape, making up around 10 per cent of GDP. And for Ernest Britto, Gibraltar’s Minister for the Environment and Tourism, the ongoing appeal of the Rock as a tourist destination, primarily to visitors from the UK, is clear. ‘Gibraltar is a little bit of Britain in the Mediterranean,’ he explains. ‘We have all the advantages of the Spanish climate, but we have the added attraction that it is a sterling area outside the UK. So in these days when the euro is so strong, a UK pound is still worth a UK pound in Gibraltar.’

According to Britto there is another important reason the 5.8 sq km territory remains popular with British tourists. ‘People feel at home in Gibraltar,’ he says. ‘They go down the street and they see the familiar red post office box, the same policeman’s uniform, English is spoken anywhere they go, and they are protected by a legal system based entirely on British law. Gibraltar is a home away from home.’ This winning combination of cultural familiarity and financial incentive seems to have shielded



Ernest Britto emphasises that visitors are protected by a legal system based entirely on British law



Gibraltar’s tourism industry from the harshest effects of the financial crisis. In 2010 the contribution of tourism to the economy was £285.7 m – an increase of 11 per cent over the previous year. And, Britto proudly states, tourism figures have been increasing year on year. He says, ‘In the last calendar year, at a time when growth in Europe has been 3 per cent and growth in the rest of the world has been 6.7 per cent, we have grown by 13 per cent in overall figures.’

Gibraltar has been an important naval base for 1,000 years, and the fortifications

built to defend the territory over that millennium are now attracting ‘invaders’ of an altogether more peaceable disposition. ‘We tend to attract the niche markets,’ Britto explains. Gibraltar’s famous tunnels are a prime example of how the territory’s belligerent past has been transformed into a lucrative tourist attraction. Built during the Spanish sieges of the

18th century, they were put into use once again during the Second World War. As Britto explains, ‘inside those tunnels there is a wealth of history. Eisenhower even had his tactical headquarters in the tunnels.’

Britto points out that ‘tourist infrastructure’ means more than just the Rock’s most famous attractions – the

“The Gibraltarian is a unique combination of the Spanish and the British. I would like to think that we have the best of both”

tunnels, St Michael’s Cave and the legendary Barbary macaques. ‘In recent years we’ve improved the cruise, coach and ferry terminals, we’ve created new sporting areas and a new leisure complex. We’re spending over £50 m on a new air terminal.’

Finally, though, Britto believes Gibraltar’s enduring attraction to tourists is something that money can’t buy. ‘Gibraltar has always been a very friendly and safe environment. We have many repeat visitors. So along with the strength of the euro, the friendliness of Gibraltar is our biggest marketing card. The Gibraltarian is a unique combination of the Spanish and the British’, he proudly states. ‘And I would like to think that we have the best of both!’

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The small place where deals still happen

INTERVIEW LAWRENCE ISOLA *He has thrived in the confines of the Rock, forming a handful of growing businesses that go from offshore and trust services to telecommunications, property developments to a serviced apartment enterprise*

Many people in Gibraltar, especially those in business, have several interests, more than one iron in the fire, more than the usual number of arms its seems. It's by no means peculiar to the area, like a genetic mutation – the confined microclimate of the Rock helps breed this multi-limbed multi-functionism. Lawrence Isola is no exception.

“The reason is Gibraltar. Because of its size and its nature, if you are an entrepreneurial, business-minded person it's perfect in some ways”

He is related to the oldest family law firm on the Rock “Isolas 1892” with two brothers (Peter and Albert) as senior partners, he is a founder member of the Fiduciary Group, a provider of offshore company and trust services he started with his brothers. He started a busy property venture now known as BMI Group who are an agency specializing in development consultancy. He founded and is Managing Director of Sapphire Networks, a company that specializes in the provision of high speed and resilient internet connectivity to the peninsular's important online gaming companies and he is now setting up a serviced apartments business. ‘The reason is Gibraltar,’ says Isola, ‘Because of its size and its nature – everyone knows everyone – if you're an entrepreneurial, business-minded person it's perfect in some ways.’

After starting Fiduciary with his brother, Isola realised he was by no means sated and that his brothers would do a much better job of expanding this growing business, so he became much more involved in the property market. His initial involvement was to bring Taylor Wimpey (then Wimpey Homes) to Gibraltar under a building management contract, before going on to build the first development of his own, Portland House.

Through this work in property, Isola came to meet ‘some very serious investors’, who wanted to sink some mo-



ney into the enclave. For this group he brokered the deal for their purchase of the major Europort complex, where he is based to this day. During this time, another entrepreneurial arm had extended its way into a speculative side-project. ‘I had an interest in Gibnet, a little internet services provider. There was an engineer who brought an idea to the telecoms incumbent, Gibtelecom before the internet was publicly known. He wanted them to do the internet in Gibraltar. They threw him out and said he was loopy,’ he laughs. ‘So he came to me and we brought the internet to Gibraltar when everyone thought we were mad. We had to source the connection through microwave from Spain as everything here was protected before it was liberalised. Few people know we actually first brought the internet to Gibraltar’. This less than successful venture is not the sort of thing most businessmen would boast about, but nothing seems to happen in Isola's life without it then leading to something else. And so it did, as internet gaming PLC “888” set up in Gibraltar in 2003 – one of the first major firms in the sector to settle in the territory.

Isola recalls: ‘The then Chairman knew I had some experience and interest in a telecoms start-up and he kept saying

Lawrence Isola assures that Gibraltar is very much open for business

to me, “When are you going to start, when are you going to start?” He really pushed me a lot as he complained about the problems of connectivity.’ Once Isola had found some business partners to invest Sapphire Networks was born.

‘That was a real roller-coaster,’ he says. ‘Talk about diving into something at the deep end. We started it badly, as you needed to roll out an infrastructure which we hadn't. In Spain and Gibraltar we then built our own fibre network on both sides of the border. We brought it straight through and ended with around 25 Kms of fiber rings – you can imagine the political complications on both sides. We set up a base, a node in Madrid from where we run our diverse circuits all the way to Europort.’

‘When we started, six or seven years back, there was an issue of credibility and Gibtelecom started signing up clients for seven years to tie customers up which was remarkable. But with time, we increased our value proposition, we

increased connectivity and resilience, and today we have a company that is very focused on gaming and that provides internet at a very high level. We now have four diverse circuits coming down from Madrid and also have a presence in Linx (London) and Ams-ix (Amsterdam) which is of particular benefit to the gaming industry. Since March 2007 when we started our new circuits, our connection between Madrid and Gibraltar has not been down. If you talk to a gaming company, that's a big deal.’

Isola has been careful not to over-extend the business. Straight nose-to-nose competition with Gibtelecom is avoided. ‘It's a very new and simple network with very expensive equipment at either end only normally used by large international carriers – we're 99 per cent focused on gaming, banks and finance companies. We're a boutique provider. In Gibraltar you don't have economies of scale, we're not talking about hundreds of gaming companies, we're talking about a handful

of the top companies alongside a number of important financial companies that require specialized services.’

Today Sapphire has become a primary IP internet provider for Gibraltar's gaming companies, and the enclave is set to soon become the new headquarters of London Stock Exchange-listed firm PartyBwin. But while the limited space denies ambitious companies the chance for domestic economies of scale, there is not the drastic shortage of property that some people fear, with plans for land reclamation mooted if not already in train.

“We're 99 per cent focused on gaming, banks and finance. We're boutique provider. In Gibraltar you don't have economies of scale”

‘There is land and there are pockets of office space,’ stresses Isola. ‘There is space around but if someone wants 1,000 sq metres, it doesn't exist. There is a need to build more office space and the Government are rightly encouraging this because at the moment the selection is fairly limited and there is little room for growth.’

But he points to a swathe of developments in the offing. He has partner investors for a 14-floor Office and Data Center building named W1 which is currently with the municipal planners, there is also a proposed Gibraltar World Trade Centre as well as a new high-rise in Midtown and a planned office building abutting a new Hilton hotel. ‘I'm not going to say that it's a misconception that property is scarce here, of course it's scarce, but the reality is that if all the buildings poised to be built are built there will most likely be plenty of office space.’ He is adamant that lack of land is not the issue. ‘There is space to build, too, we don't need to reclaim land yet. I think buildings not going up quicker has got more to do with difficulties of funding, at banks closing their doors I guess, than anything else.’ In short, as he concludes, ‘Gibraltar is very much open for business.’



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