smart world, smart business

manx telecom plc
annual report and accounts
2015

The world is connected. First we had the smartphone, now we talk about smart homes and smart cities. Devices talk to us and increasingly, to each other.

Manx Telecom has been investing heavily in technology and infrastructure to help deliver this vision. A more connected island, more connected businesses and more connected consumers.

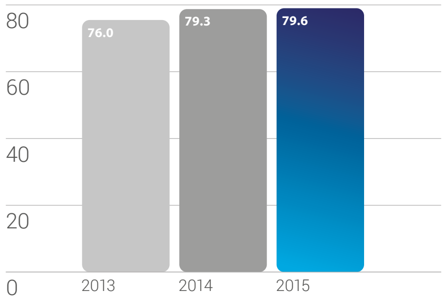
contents

financial highlights

Revenue (£m)

£79.6m

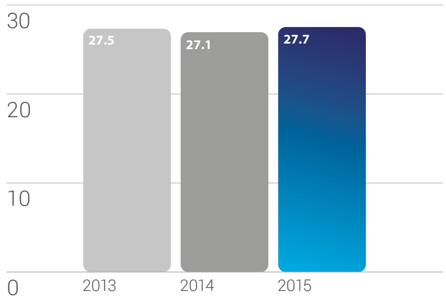
+0.4%



Underlying EBITDA (£m)

£27.7m

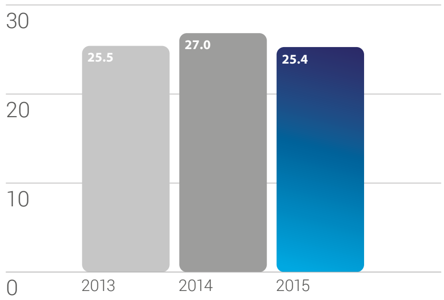
+2.0%



Cash generated (£m)

£25.4m

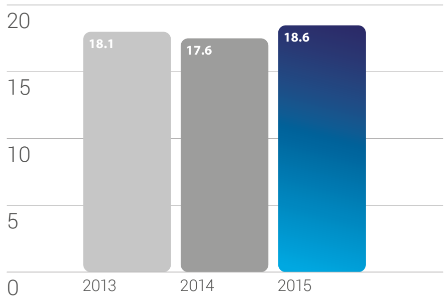
-5.8%



Underlying operating profit (£m)

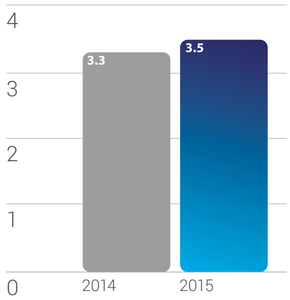
£18.6m

+5.5%



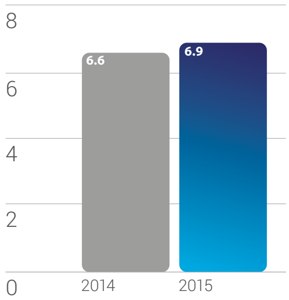
Interim dividend per share (p)

3.5p



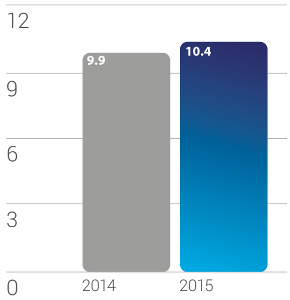
Final dividend per share (p)

6.9p



Total dividend per share (p)

10.4p



manx telecom at a glance

We are the leading communications solutions provider on the Isle of Man. Our operations touch the lives of almost every individual and business on the Island.

our services

We offer a wide range of fixed line, broadband, mobile and data centre services to businesses, consumers and the public sector on the Isle of Man. We also provide a growing portfolio of innovative Smart SIM solutions to international customers. In every area of our business, we offer class-leading technology, delivered with a passion and a dedication to our customers' best interests.

Fixed line, broadband and data

We provide fixed line, broadband and connectivity services, connecting approximately 37,000 homes and 4,000 businesses locally and internationally.

Our Ultima and Ultima Plus high-speed broadband services are now available to 91% of households; adoption rates are increasing, driven by higher in-home use of smart TVs, tablets and gaming consoles.

Fixed line, broadband and data revenue

£32.0m

Mobile

Our mobile business offers pre-paid and post-paid tariffs to all market segments, supports inbound roaming traffic from international visitors and also sells mobile handsets and accessories.

In early 2015, our 4G service was extended to include our pre-paid customers, which has helped increase 4G adoption across our entire mobile customer base.

Mobile revenue

£20.1m

our network

Manx Telecom's network infrastructure is engineered to the highest quality standard, which in turn supports our vision of richly enhancing lives and businesses at home and overseas.

Broadband – Our VDSL high-speed broadband service is now available to around 91% of homes and businesses on the Island. In early 2015 we launched a VDSL Plus service to 50% of the Island, offering speeds of 80Mbps download and 10Mbps upload. On 1 September 2015, we opened up our fixed line network, providing a wholesale fixed line product to our competitors.

4G Mobile – We launched the Island's first 4G service in the summer of 2014 and now provide high-speed mobile broadband to 99% of the Island's population, at speeds up to ten times faster than 3G. Our 4G network received the accolade of 'Best use of Technology' in the prestigious Isle of Man Newspaper Awards for Excellence in November 2015.

our island

The Isle of Man is a self-governing British Crown Dependency with its own Government, laws and currency and it is closely linked to the UK through a shared history, community and economic partnerships.

Home to 86,000 people and 4,000 businesses, the Isle of Man is a leading international business centre, best known for its financial services industry and for having successfully diversified its economy in recent years to a wide range of sectors, including aviation, marine, bio-med, space, e-business and e-gaming. The Island has enjoyed 31 years of unbroken GDP growth and has 2% unemployment with a clear and simple tax regime.

Voice lines

50.2K

Broadband customers

25.8K

Global Solutions

Using our domestic mobile technology platform, we enable UK and international wholesale and corporate partners to offer a variety of innovative Smart SIM mobile services using Manx Telecom SIM cards.

Increasingly we are targeting the Internet of Things sectors as well as international traveller markets and critical connection sectors, such as lone workers.

Global solutions revenue

£14.1m

Data Centre

Our data centre business offers co-location, managed hosting, cloud, storage and disaster recovery services to an international and local corporate client base, via three data centres on the Island at Douglas North, Douglas Central and Greenhill Data Centre.

Key customers include e-gaming companies, financial services companies and the Isle of Man Government.

Data centre revenue

£8.0m

Other Services

Includes advertising revenue from the Manx Telecom phone book and business directory as well as from our own online news channel MTTV and online portal manx.net, which is the most popular Isle of Man based website.

This area also includes hardware equipment sales, managed services and interconnection fees.

Other

£5.4m

Connectivity – We provide world-class private circuit and internet connectivity for customers, both on and off-island, a key part of the Global Solutions Infrastructure. Our high capacity Cisco-powered Multi-protocol Label Switching ('MPLS') off-island network is fully resilient, supplied via a 10Gbps backbone which connects the Isle of Man directly to London, just 12 milliseconds away.

Data hosting – Manx Telecom is the only on-island operator with two Tier 3 designed data centres (according to Telecommunications Industry Association Standards) which have security and resilience built into every part of their infrastructure. During 2015 we completed the development of the second phase of our Greenhill Data Centre.

technology update

We work in a truly global, dynamic market with a relentless pace of change, where product life cycles can be measured in months rather than years. Innovation is in our DNA and we are constantly striving to invest in technology which fulfils our desire to lead and grow in our markets.

the world is mobile

The world is seeing a rapid technology migration to both higher speed mobile broadband networks and to feature-packed smartphones and other connected devices. Mobile is at the heart of a new digital ecosystem fuelled by trends such as digital content, social networking and online commerce.

What is Manx Telecom doing about it?

We know that a high quality mobile network drives differentiation and customer satisfaction. That's why we worked with Huawei to invest £10m in a new 4G network whilst increasing the capability of our 2G and 3G services which delivers high speed mobile broadband to 99% of the Island's population. It's also why we're investing in LTE-A or 4G-Advanced services to deliver an even better performance.

the rise of cloud services and big data

Cloud services are services made available to users on demand via the internet from a cloud computing provider's servers as opposed to being provided from a company's own on-premises servers. This means easy, flexible, scalable and efficient access to applications and resources.

What is Manx Telecom doing about it?

Our two Tier 3 designed data centres offer the highest levels of resilience, security and cloud capacity to support virtualised services for businesses worldwide. We are working on a range of cloud-based business services offering storage, back-up and virtualised desktop infrastructure ('VDI') services amongst others.

the 'Internet of Things' (IoT) has become a reality

There are increasingly tangible benefits for consumers and businesses from the growing range of new connected services, with a strong focus on both wearable devices and the potential of the Smart Home. Connected devices and sensors can deliver a smarter, more efficient home, with smartphones and tablets interacting with various connected objects and devices, from lighting to basic security systems.

What is Manx Telecom doing about it?

Our Global Solutions business is actively engaged with UK companies at the very heart of the IoT market. Our smart SIM solutions are perfectly positioned to provide the 'always-on' connectivity that providers in this space demand. It's an important part of our current and future growth strategy.

traditional network infrastructure to software-based solutions

Innovation can be 'under the bonnet' as well as being visible to customers. To drive efficiency, more telecommunications providers are considering software-centric, all-IP, cloud-based solutions as an alternative to traditional exchange based telecommunications equipment.

What is Manx Telecom doing about it?

Hand in hand with leading provider Metaswitch, Manx Telecom has over the last 18 months become one of the first operators worldwide to seamlessly move its entire fixed line customer base onto a virtual software based core housed in our own Data Centre. This is a reflection of our determination to adopt some of our industry's leading technologies now and in the future.

chairman's statement

I am pleased to report a positive set of results for 2015 which are in line with the Board's expectations. The core business performed particularly well with good growth from our broadband and mobile businesses.

Revenue increase

+0.4%

EBITDA

+2.0%

Dividend for the year

+5.1%

Profit after tax

+27.9%

Diluted earnings per share

+19.4%

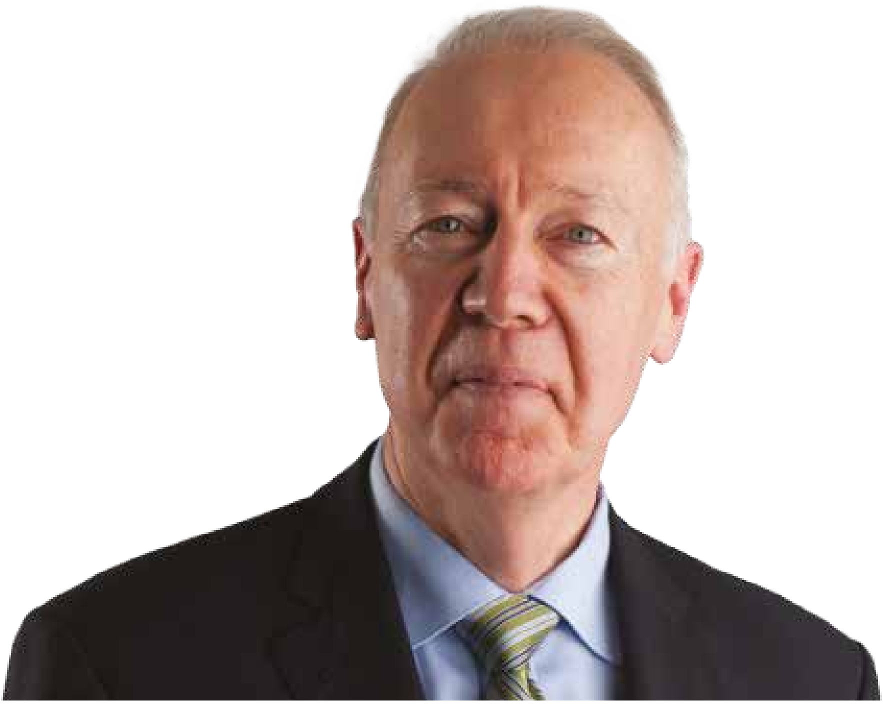
Introduction

I am pleased to report a positive set of results for 2015 which are in line with the Board's expectations. The core business performed particularly well with good growth from our broadband and mobile businesses.

Results

Revenue grew by 0.4% in the year to £79.6m and underlying EBITDA was 2.0% higher than the same period last year at £27.7m. Cash generation from operating activities was strong at £25.4m and we continue to make significant investment to support future growth.

Underlying profit before tax was 27.9% higher at £16.6m (2014: £12.9m). This was due to the higher level of EBITDA coupled with lower interest costs as a result of reduced debt and improved terms under the renegotiated debt facility. There was also lower depreciation due to mobile asset decommissioning in 2014. Underlying diluted earnings per share increased by 19.4% to 14.5p.



Trading performance

It has been a busy year operationally for the business, with the introduction of several new exciting products for our customers and the retention of key strategic customers for the Group. At the beginning of the year we launched a superfast broadband product, Ultima Plus, offering customers broadband with download speeds of up to 80Mbps and upload speeds of 10Mbps, and this has been adopted by 26% of the Ultima customer base by the end of the year. We also launched our 4G pay as you go service, which provides speeds up to ten times faster than the previous 3G network service, and this has helped to drive an increase in our pre-paid data revenue by over 50% compared to last year.

In February 2015, we announced the renewal of a contract with our biggest customer, the Isle of Man Government, for mobile, local area network, wide area network, fixed line, internet and network services for five years. We announced in April that the Isle of Man Government would be the anchor tenant for Phase 1 of our Greenhill Data Centre. In Q4 we completed Phase 2 at the Greenhill Data Centre, before welcoming an anchor tenant into the facility in October. Both facilities are now over 50% occupied and our focus is on continuing to attract further co-location and managed service business into our data centre portfolio.

As expected, Global Solutions experienced revenue headwinds at the start of 2015 as a result of a reduction in termination revenues. Following targeted investment into this area of the business and the implementation of specific initiatives, including additional resource, we saw an improvement in performance in the second half, with momentum continuing into the current financial year.

Our people

The solid performance during 2015 is once again a testament to the excellent customer service that our experienced and professional workforce at Manx Telecom provides.

During the period we wished our former Chief Executive Officer, Mike Dee, a happy retirement and welcomed Gary Lamb, our former Chief Financial Officer, following a thorough selection process, into the role of Chief Executive Officer. We have recently announced the appointment of Danny Bakhshi as Chief Financial Officer, who joined us on 1 February 2016. Danny has an excellent track record in the industry and will be a valuable addition to the Board.

On 12 May 2016 we announced that Sir Miles Walker, who has been a Non-Executive Director of Manx Telecom since 2001, initially as a director and then as Chairman of Manx Telecom Holdings Ltd and following our IPO as a Director of Manx Telecom plc, is to retire at our Annual General Meeting. We are pleased that after a selection process Christopher Hall, who was Managing Director of Manx Telecom Ltd until April 2011, has agreed to join us as an Independent Non-Executive Director, subject to his election at the Annual General Meeting. He brings strong local relations and a strong technological background.

Dividend

The Board has declared a full year dividend of 10.4p per share (2014: 9.9p), and intends to pay a final dividend of 6.9p on 24 June 2016. The shares will trade ex-dividend on 26 May 2016 and will have a record date of 27 May 2016.

Outlook

We will continue to follow the dual strategy of strengthening our position in our core market on the Isle of Man through high quality customer service and value for money offerings, whilst looking for growth on and off island by exploiting our data centre capacity and leveraging our mobile technology platform.

The completion of Phase 2 at the Greenhill Data Centre provides additional capacity to the data centre business and we will focus on increasing occupancy by attracting new customers looking for a full-service offering.

We have seen a good start to the year in Global Solutions where we have continued to build a good pipeline of business, continuing the momentum seen throughout the second half of 2015.

Steady performance during the period, combined with the solid start to trading this year, confirming our confidence in the Company's prospects for the year. This, together with our outlook for continued strong cash generation, allows us to reiterate our progressive dividend policy.

Kevin Walsh
Non-Executive Chairman

key milestones 2015

5 January
4G service launched to Pay as you go customers

1 February
Launch of our superfast broadband product, Ultima Plus

12 February
All major telecommunications and managed service agreements renewed with Isle of Man Government

27 March
We won the 'Best Telecommunications PLC' category of the prestigious UK Stock Market Awards

7 April
We welcomed the 5,000th customer to our superfast Ultima service

14 April
With a contract for 25 racks to support front-line services, the Isle of Man Government was announced as the anchor tenant for Phase 1 of our Greenhill Data Centre

8 June
Our 'Strongest Signal SIM' was made available for direct sale to the UK for the first time under the brand name Chameleon Direct

1 July
Gary Lamb was appointed Chief Executive Officer of Manx Telecom

4 August
Anchor tenant agreed a three year hosting contract with us for a total of 48 data hosting racks

10 December
We won the 'Best New Share Plan' category at the 'ifs ProShare' Annual Awards

21 December
Danny Bakhshi was announced as our new Chief Financial Officer

ceo’s review

Looking ahead, we remain confident in the outlook for the Group, reflected in our commitment to maintain our progressive dividend policy.

Overview

Following my appointment as Chief Executive Officer on 1 July 2015, I am delighted to present the full year results, after another good 12-month period for the business. It has been a busy year with a number of achievements to report.

The Company continues to provide a wide range of telecommunications services to consumers, businesses and the public sector on the Isle of Man, and we pride ourselves on our excellent customer service. Our core domestic business performed well during the year, with growth in fixed, broadband and data services, and mobile revenues. Following the launch of our 4G mobile network in 2014 we have seen an increase in the number of customers returning to Manx Telecom, high customer satisfaction levels and a resultant increase in mobile revenue for the year.

Growth in broadband revenues

+4.3%

Take up of high speed broadband

29%

Increase in post-paid customers

+4.3%

Growth in mobile revenues

9.3%

The Data Centre business has seen strong revenue growth during the period. This reflects a higher than usual level of equipment sales, as customers moved into the first phase of the Greenhill Data Centre ('GDC 1'). We completed the second phase of our Greenhill Data Centre ('GDC 2') and welcomed our anchor tenant into the facility in the fourth quarter. Both GDC 1 and GDC 2 are now over 50% occupied and we continue to focus on attracting further co-location and managed service business into the portfolio.

The Global Solutions business has seen good growth in its core products, M2M, Strongest Signal Mobile (branded Chameleon) and the international traveller market, which helped to partially offset the expected decline in our SMS termination business.

The renewal of our long-term contract with the Isle of Man Government for mobile, local area network, wide area network, fixed line, internet and network services and securing them as an anchor tenant for phase 2 of our Greenhill Data Centre development are testament to the hard work of our teams on the ground and strong business partnerships on the Isle of Man.

The Isle of Man economy continues to perform well, with unemployment at 1.9%, 31 years of unbroken GDP growth and economic growth forecast to continue. We look to support the Isle of Man Government in attracting business to the Island, and our telecommunications infrastructure and the services we provide form an important part of the Island's continued success.

The Company was also pleased to have renegotiated its £80m credit facility on improved terms and extended the term to June 2020.

Results overview

The Company's performance for the period was in line with the Board's expectations. Revenue grew by 0.4% to £79.6m, driven by increases in fixed, broadband and data, mobile and data centre services, partially offset by a decline in Global Solutions revenues.

Underlying EBITDA was 2.0% higher than last year at £27.7m and the margin was maintained at 34.7% (2014: 34.2%). A reduction in the lower margin, wholesale SMS and voice elements of the Global Solutions business was partly offset by a high level of equipment sales and increases in the broadband and mobile business.

Cash generation has remained strong with cash generated from operations of £25.4m (2014: £27.0m), equating to cash conversion of 92% of EBITDA.

Underlying profit after tax increased by 27.9% to £16.6m (2014: £12.9m) primarily due to the increased EBITDA, lower interest costs (£1.3m reduction), lower depreciation (£0.4m reduction) and a positive movement in the fair value of interest rate swaps (£1.6m positive variance to prior year). This resulted in a 19.4% increase in underlying diluted earnings per share to 14.53p (2014: 12.17p).

We continue to invest in capital projects on the Isle of Man and have spent £8.0m (2014: £12.6m) in the year. This includes the development of the second phase of the GDC and the upgrade of our CRM billing and charging platform, which will enhance our consumer offering on the Isle of Man from 2016.

CEO review

continued

Revenue	2015 £'000	% Total revenue	2014 £'000	% Total revenue	Y-o-Y %
Fixed, Broadband and Data	**32,027**	**40.2%**	31,338	39.5%	2.2%
Mobile	**20,058**	**25.2%**	18,357	23.2%	9.3%
Data Centre	**7,951**	**10.0%**	6,607	8.3%	20.3%
Global Solutions	**14,122**	**17.7%**	16,669	21.0%	–15.3%
Other	**5,440**	**6.8%**	6,283	7.9%	–13.4%
Total Revenue	**79,598**		**79,254**		**0.4%**

Fixed, broadband and data services

Fixed, broadband and data services provide fixed line voice, broadband and connectivity services for customers, connecting approximately 37,000 homes and 4,000 businesses on the Isle of Man. Fixed, broadband and data is our largest business, representing 40% of all Company revenues. In 2015 revenue increased by 2.2% to £32m (2014: £31.3m).

On 1 September 2015 we opened up our fixed network, providing a wholesale fixed line product to our competitors. As part of this process, we rebalanced our tariffs, with fixed line tariffs increasing and VDSL broadband tariffs reducing. This has brought a competitive fixed line product to the market and a further incentive for customers to move to our higher speed broadband products. Fixed line revenues remained flat in the year, as the decline in fixed line usage was offset by line rental increases.

We continue to roll-out high speed VDSL broadband services (up to 40Mbps download) across the Island and now reach 91% of households, and is now at 29% penetration. Earlier this year we launched VDSL plus superfast broadband – Ultima Plus – which delivers download speeds of up to 80Mbps and upload speeds of 10Mbps. The sale of Ultima and Ultima Plus has helped broadband revenues to increase by 4.3% to £8.7m.

Mobile

Mobile had a strong year, with revenue up 9.3% to £20.1m (2014: £18.4m), driven primarily by increased inbound roaming revenue and increased post-paid contract revenue.

Our 4G network, which provides 99% population coverage at speeds of up to ten times faster than 3G services, is now available to contract and pay as you go customers who have a 4G-compatible handset. Launched in 2014, it continues to achieve high levels of customer satisfaction with adoption rates growing steadily across both the pay as you go and contract bases.

By the end of 2015, we had approximately 34.5k pre-paid customers (2014: 35.1k) and 30.1k post-paid customers (2014: 28.9k). The introduction of 4G and general up-selling of data packages has contributed to a 2.0% increase in post-paid Average Revenue Per User ('ARPU') and 4.3% increase in pre-paid ARPU over the past 12 months.

Data centre

The data centre business offers co-location, managed hosting, cloud and disaster recovery services to an international and local corporate client base. These services are supplied by three data centres at Douglas North, Douglas Central and Greenhill Data Centre. The data centres at GDC and Douglas North are Tier 3 designed data centres (according to Telecommunications Industry Association standards). This provides high standards of data security, resilience, and expandable hosting capacity, including business continuity and distributed denial of service protection ('DDoS').

During 2015 we completed the development of the second phase of our Greenhill Data Centre and welcomed an anchor tenant into the facility during the fourth quarter. Both GDC 1 and GDC 2 are now over 50% occupied. Data centre revenues increased by 20.3% in the period, to £8.0m (2014: £6.6m), however this was driven by lower margin equipment sales as a result of new customers entering GDC 1.

We have seen a trend towards co-location data centre business and our focus is to secure more managed service business to better utilise our investment.

We continue to generate strong cash flow, which enables us to create value for shareholders, while continuing to invest in our infrastructure projects at an average of £10m per year over the last three years.

Global solutions

The Global Solutions business generates revenue from services which run on our domestic mobile technology platform and utilise our international roaming agreements. This enables us to offer a variety of products to UK and international partners who use our Global Solutions sim cards. There are four key revenue areas: wholesale SMS and voice, international traveller market, M2M and strongest signal mobile (branded Chameleon).

As expected, revenues declined in the period, with turnover down 15.3% during the year to £14.1m, (2014: £16.7m) driven by the decline in SMS termination revenue. A number of initiatives including additional resource, helped to increase revenues in the second half of the year and generate momentum into 2016. The higher margin core revenue from M2M and Chameleon, increased by 20% during the year, helping to offset some of the decline from reducing termination revenues and supporting the positive long-term outlook for Global Solutions.

Other revenues

Other revenues include the advertising revenue from our telephone directory, hardware equipment sales, interconnection fees and managed services.

Other revenue declined by 13.4% during the year to £5.4m (2014: £6.3m). This was primarily due to lower hardware equipment sales and the expected decline in directory advertising revenues, which accounted for 10% of the revenue decline in the period.

Gary Lamb
Chief Executive Officer

strategic insight

Our vision is to provide the most complete advanced communication service, richly enhancing lives and businesses at home and overseas.

Our objectives	2015 progress
Maintain our leading position in core markets by innovating and maintaining the highest levels of customer service.	– 4G services launched to pre-paid customers and growing rates of 4G adoption overall. High levels of mobile customer satisfaction and network coverage have supported retention and win-back. – Superfast broadband service Ultima Plus launched, offering customers speeds of up to 80Mbps (download) and 10Mbps (upload) to around 50% of homes and businesses on the Island, which has driven increased up-sell. – We renewed our contract with our biggest customer, the Isle of Man Government, for mobile, local area network, wide area network, fixed line, internet and network services for five years.
Grow by exploiting new market opportunities on and off-island with our market leading mobile platform and data centre capability.	– After a competitive tender, and a complex and successful migration from their own premises, the Isle of Man Government became the anchor tenant in Phase 1 of our Greenhill Data Centre. The five year contract for 25 racks supports a variety of front-line Government services. – In the final quarter of 2015, we completed the second phase of our Greenhill Data Centre, and welcomed a prestige anchor tenant on a three-year data hosting contract for 48 data hosting racks. – We saw good sales momentum in a number of our Global Solutions segments; in particular the international traveller market, machine to machine and 'strongest signal' SIM services, branded Chameleon.

2016 objectives

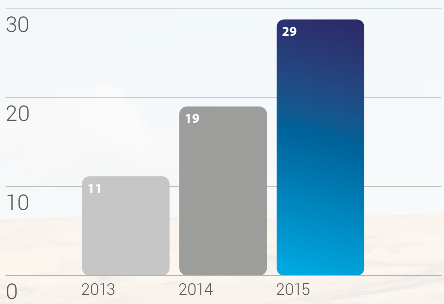
- Further growth in our high-speed broadband and mobile businesses through up-selling to higher speed packages.
- Trialling of LTE-A or 4G Advanced technologies offering significantly higher 4G speeds on selected smartphones and tablets.
- Upgrade of our billing and customer care systems to 'convergent' capability, providing customers with more flexible and dynamic tariff plans.

- Further uptake of co-location and managed hosting services driven by new data centre customers.
- Introduction of a new suite of cloud-based solutions appealing to business customers on and off-island.
- Continued growth in critical connection solutions, especially in developing UK Internet of Things segments as well as traditional strongest signal roaming (branded Chameleon) sectors.
- Further growth in our existing Mobile Virtual Network Enabler ('MVNE') partnerships.

Key performance indicators

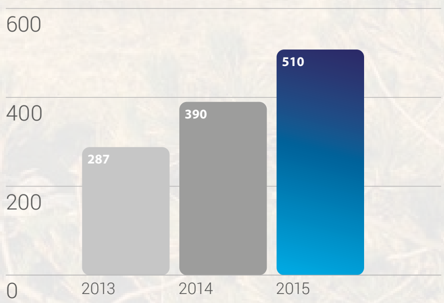
Penetration of high-speed broadband

29%



Data centre rack capacity

510



our strategy in action
relying on a world-class 4G network

More and more island businesses are switching on to how 4G superfast mobile broadband can help them to improve efficiency, save time and money, and provide better customer service.

Anyone in the farming and agriculture sectors can now have superfast internet access wherever they happen to be working. With 4G they can perform tasks on their smartphone or tablet device which previously may only have been possible by returning to their home or office.

Milan Veterinary Practice which has clinics across the Island with a total of 19 staff, including seven vets switched to Manx Telecom's 4G service soon after the network was launched.

Making a fast and accurate diagnosis is vitally important in providing the best possible treatment, and in getting the animal back to good health as soon as possible. Ray Cox, Practice Principal, says that 4G has made a massive difference in improving the diagnostic process. "We use 4G to send and receive large image files such as X-ray images or photos of animals with skin conditions which can be difficult to diagnose. Being able to send these images from any location to colleagues can significantly reduce the time it takes to make the correct diagnosis".

Manx Telecom's 4G technology is helping Milan Vets do its most important job – reducing the time that an animal has to suffer with an illness or injury. "4G has enabled us to fast track treatment, especially for horses. It has definitely made a big difference to the service we can provide, which is good for the practice, our customers, and – most importantly – the animals we care for."

our strategy in action

a virtual desktop environment, scalable for the future

Manx Telecom dispensed with a traditional desktop computing environment for its own staff many years ago. Many Isle of Man businesses are now making the switch to a virtualised desktop computing environment.

RL360° is a leading provider of investment, protection and tax-planning solutions. It's a genuine global business based here on the Island with 300 staff worldwide overseeing £7bn in assets. A commitment to achieving the highest international standards is at the heart of all aspects of the business, including its IT requirements.

In early 2015 we were delighted to complete the migration of RL360°'s desktop infrastructure to a virtualised environment which delivers excellent performance, scalability and capability utilising infrastructure from Cisco, Nimble and VMWare. The solution provides simplified management and control, a rich desktop experience on any device or over any network medium, all without compromising security.

Linda Karran, IT Contracts & Procurement Specialist at RL360°, commented: "The VDI solution provides much greater flexibility and makes it much easier to add new staff to the network, and for staff to work remotely. It makes the admin process much more efficient too. The installation went smoothly, and in operation the VDI solution has matched or exceeded all of the performance criteria outlined in the initial tender."

financial review

Group revenue increased by 0.4% to £79.6m (2014: £79.3m), with growth in our core on-island fixed, broadband and data business supplemented by good growth in our data centre business, which was offset by a decline in global solutions and other revenue streams.

Free cash flow

+5.1%

Net debt reduction

2.9%

Underlying operating profit

+5.5%

I was delighted to be appointed CFO of Manx Telecom on 1 February 2016 and I am pleased to be presenting my first financial review to shareholders.

The fixed line, broadband and data business continued to perform well, with steady revenue growth of 2.2% to £32.0m (2014: £31.3m). The data centre business saw a significant increase in revenue to £8.0m (2014: £6.6m), primarily driven by one-off kit sales. Mobile revenues also increased significantly in 2015 to £20.1m (2014: £18.4m) driven by increased post paid contract revenue, sales of mobile handsets and inbound roaming revenue. Global Solutions had a challenging 2015 with full year revenue of £14.1m (2014: £16.7m), a fall of 15.3%, as a result of a decline in mobile termination rates. Some of this decline has been offset by growth in the Chameleon product and international traveller market. Other revenues were down 13.4% to £5.4m (2014: £6.3m) due to one-off revenues for hardware equipment sales which were not repeated from 2014 and declining revenue from directory sales.

The Group generated underlying EBITDA of £27.7m (2014: £27.1m), in line with expectations which was up 2.0% on the previous year. The Group's EBITDA margin increased 50bp to 34.7% (2014: 34.2%) due to good performance from the core business and changing business mix within Global Solutions towards more sustainable products.

Depreciation and amortisation was £9.1m (2014: £9.5m), down £0.4m primarily due to network assets being fully written down in 2014. This includes charges for network infrastructure (fixed network, broadband network and mobile network) as well as IT equipment and office equipment.

Underlying operating profit increased by 5.5% to £18.6m (2014: £17.6m) aided by the lower depreciation and amortisation charge.

Underlying profit before tax increased by 27.9% to £16.6m (2014: £12.9m) primarily due to the higher EBITDA, lower depreciation and lower interest charges due to improved terms following the renegotiation of the lending facility effective from 30 June 2015.

Underlying diluted EPS was up 19.4%, in line with the Board's expectations at 14.53p (2014: 12.17p).

The Company paid an interim dividend of 3.5p per share in November 2015 and declared a final dividend for 2015 of 6.9p per share on 30 March 2016 resulting in a full year dividend for 2015 of 10.4p per share, a 5.1% increase from 2014.

Costs

Costs of sales decreased by 2.7% in the year as a result of the reduction in Global Solutions revenue and the associated 18.1% reduction in roaming costs.

Administrative expenses increased by 25.4% to £29.1m (2014: £23.2m) predominantly due to a one-off credit of £7.0m in the prior year arising from the closure of the defined benefit pension scheme to future accrual. Adjusting for this, administration expenses reduced by £1.1m, primarily due to various exceptional items in 2014, including a £0.6m impairment charge and the cost of transferring members of the defined benefit pension scheme to the defined contribution scheme (£0.8m). The main component of administrative costs is staff, the cost of which decreased by 3.2% in the period, including bonus payments.

Energy costs were up 4.6% during 2015 reflecting increased occupancy of our new data centre. Mobile handset costs were 21.9% higher due to significant increase in corporate customer sales, whilst maintenance charges increased very slightly by less than 2%.

Net finance costs

Net finance costs reduced to £2.4m (2014: £8.4m) mainly as a result of a £4.6m charge in 2014 against previously capitalised transaction charges, following the changes to financing arising from the IPO in February 2014. Included in this figure is the cost of interest at £2.3m (2014: £3.3m), the reduction being due to lower interest rates secured from the renegotiation of external lending facilities. Interest payable on shareholder loan notes reduced to nil (2014: £0.3m).

One-off costs associated with the IPO and related restructuring, charged to the income statement, were nil (2014: £8.0m).

We recorded an unrealised gain of £0.3m on interest rate swaps due to increases in market interest rates since the prior year end. No swaps have been exited during the year, therefore there are no realised gains or losses.

Taxation

There is no corporate taxation payable on our profits for either 2015 or the comparative year. We have the benefit of an Isle of Man 0% corporate tax rate.

Cash flow

Cash generated from operating activities decreased by 5.8% to £25.4m (2014: £27.0m). This year-on-year reduction, despite the increase in EBITDA, is due to a working capital outflow of £1.7m, mainly caused by large trade and roaming debtor balances at the year end, compared to an inflow of £1.6m in 2014.

Our free cash flow after investing activities was 5.1% higher at £15.6m (2014: £14.8m), out of which we serviced our borrowings and paid our dividend to shareholders.

Good cash generation enabled us to reduce our net debt to £52.2m, equivalent to 1.9 times underlying EBITDA.

Capital expenditure

The 2015 capital expenditure, including intangibles, was £8.0m (2014: £12.6m). Prior year included a £3.0m accrual for our 4G mobile network relating to final payments due in 2015. Adjusting for the 4G accrual, capital expenditure including intangibles for current and prior year averaged £10.3m per year, in line with our guidance.

Significant capital expenditure in the period included the completion of Phase 2 of our new data centre in September 2015 which cost £2.7m and £2.3m on fixed voice and mobile network upgrades.

The remaining capital expenditure was spread across a number of business areas including network enhancements, an upgrade to our CRM, billing and charging platform and customer projects.

Balance sheet

Property, plant and equipment decreased during the year by £1.1m to £64m. Capital additions were £7.9m (2014: £12.4m), of which £2.7m related to GDC 2 and £2.3m on fixed and mobile networks. Depreciation of £8.9m (2014: £9.3m) was lower than last year by £0.4m.

We retain goodwill of £84.3m on the balance sheet arising from the purchase of Manx Telecom from Telefónica in 2010, which is robustly supported by current valuations.

The Group operates two pension schemes, a defined benefit scheme, and a defined contribution plan. During 2014 the defined benefit scheme was closed to future accruals, and all current members transferred to a defined contributions scheme. Under accounting standard IAS 19 the defined benefit scheme is shown as an asset of £0.4m (2014: £2.2m).

Current assets increased to £36.4m (2014: £32.7m). Cash held at the end of the period, increased to £16.6m (2014: £15.2m). Trade and other receivables increased by £2.5m, of which trade receivables increased by £1.6m, due to late settlements of some key trade debts and an increase in roaming debtors compared to prior year.

Current liabilities reduced to £24.9m (2014: £26.5m).

Non-current liabilities reduced to £69.6m (2014: £70.0m). Interest bearing loans and borrowings were relatively unchanged at £68.8m (2014: £68.9m). In September 2015 the Company entered an interest rate swap which covered £50m of its banking debt (£70m) from July 2018 through to its maturity in June 2020, extending the period for which interest rates are hedged to match the lending terms. The fair value of the previously existing interest rate swaps was a £0.8m liability (2014: £1.0m), while the new interest rate swap fair value was a £0.1m asset.

Net debt at the period end was £52.2m (2014: £53.7m), aided by good cash generation, resulting in net debt to underlying EBITDA of 1.9 times.

Danny Bakhshi
Chief Financial Officer

risk management & principal risks

The Board has the ultimate responsibility for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives, as well as ensuring that risks are managed effectively across the Group by systems of risk management and internal control.

The main focus of the Board is on ensuring that the response to these risks is appropriate and ensuring that the Group's residual risk position is within its risk appetite.

Since the last Annual Report we have further developed our risk management processes and management now analyses and reports on risks more systematically and with a process of deep dives, the output of which is communicated to and reviewed by the Board.

Risk management process

Our risk management process aims to support the delivery of the Board's strategy by managing the risk of failing to achieve our business objectives. By focusing our risk management system on the early identification of key risks, it enables us to consider the existing level of mitigation and the management actions required to either reduce or remove the risk. Where the reduction or removal of the risk is not possible, the Group formulates a management action plan to respond to the risk should the risk materialise.

While the Board has the ultimate responsibility, the Audit Committee, as described in the Audit Committee report, is charged with ensuring that appropriate measures are in place to validate the strength of internal controls and risk mitigation. In doing so it is supported by both Internal Audit and External Audit.

Ongoing monitoring

The Board performs regular reviews of the most significant risks, with interim updates from management if significant issues arise. It evaluates key areas of risk through a series of presentations from management and functional leads on matters most relevant to the organisation e.g. Regulation, Pensions, Cyber attacks and information security, Technology and the Competitive environment.

The quality and consistency of risk reporting is supported through a number of other monitoring and reporting processes including:

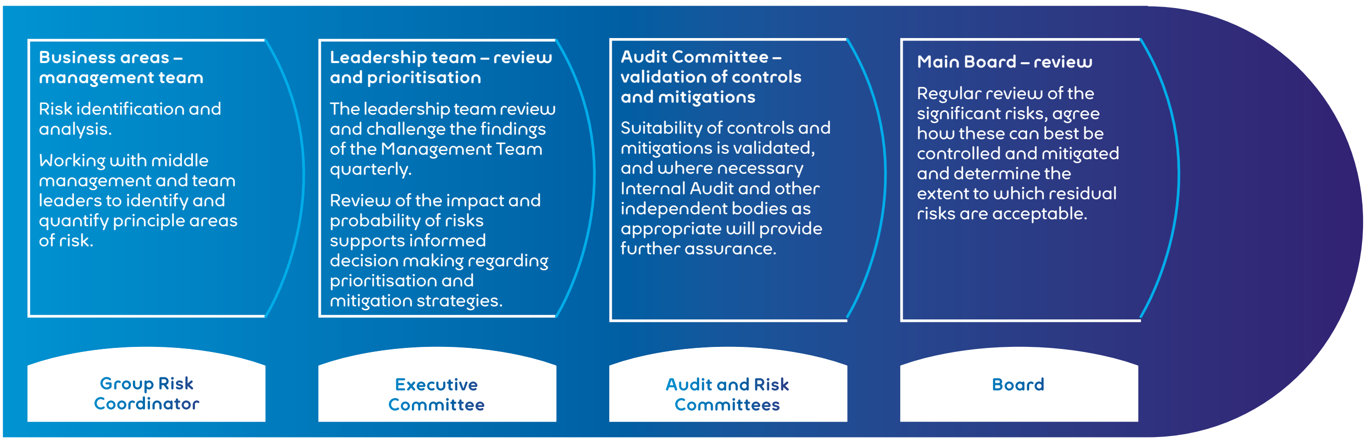
- Annual Group strategy process and Board presentations;
- Monthly Chief Executive business review reports of the key financial and operational performance levels within each area of the business; and
- Monthly detailed finance reviews.

Group Operating Executive and Senior Leadership Team

There are also defined roles within the process for the Group Operating Executive and the Group Senior Leadership Team.

The Group Operating Executive reviews summary reports based on the information submitted on a quarterly basis by the operational and functional leads from each area, each of whom perform a detailed risk review exercise and update the Group risk register. The register ensures consistency of approach in reporting of risks and requires management to:

- Identify and classify each risk as financial, operational, or strategic;
- Assess the inherent risk impact and likelihood;
- Identify mitigation measures;
- Allocate an owner who has responsibility for the timely implementation of the agreed action plan; and
- Report on implementation of strategies to address residual risk exposures.



Principal risks

We acknowledge that our processes can only provide reasonable assurance that the principal risks facing the business are identified and that we can subsequently manage these risks so that any potential impacts are reduced appropriately. We recognise that we cannot guarantee that all risks are identified, or that the nature of identified risks will remain constant.

Risk	Underlying risk level	Impact	Mitigation	Changes in the year
Regulation	Stable	Manx Telecom operates under licence from the Isle of Man Communications Commission, which regulates the telecoms market on the Island. An adverse change to our licence or in the focus of regulation remains a principal risk to the business.	We remain committed to open dialogue and transparent reporting with the regulator so that we might work to support the continuing growth of the economy, through investing in the business to support the introduction of new and innovative products.	Further investment in data centre facilities, and the deployment of high speed broadband continue to reinforce our commitment to the Island. The launch of a wholesale fixed line product has enabled us to further open the market.
Increased competition	Stable	Competition in the domestic and wider markets has the potential to significantly impact our revenue streams.	A strategy to continue focusing on Customer Service and Value Added propositions across the portfolio of our products means that we are able to maintain market share and build customer loyalty, rather than try to compete purely on price. The Group regularly benchmark product pricing against domestic competition, and against other markets to ensure that our Strategy remains effective. We also recognise the importance of key customers to our business and apply ourselves to developing relationships to ensure that we can understand and support their strategic objectives.	Our principle competitors have continued to focus their efforts on gaining market share. The launch of wholesale fixed line products into the market has provided the opportunity for further competition. However, the impact on the Group has been marginal.
Legislative change (principally tax)	Stable	Current corporate tax arrangements make the Isle of Man an attractive economy in which to invest and do business. The Group benefits from this environment both directly from the zero % corporate tax rate, and also from the wider economic benefit that arises from a growing economy. Significant changes to legislation both on the Isle of Man and further afield could result in a deterioration of the economy.	The Group has limited opportunity to directly influence Government Policy or legislation, although we communicate our position through regular discussion with members of the legislature.	The principal legislation affecting the Group has not changed.
Technology and information risk	Increasing	The market in which the Group operates creates a high reliance on technology for the provision of services to our Customers. In the event that elements of the service provision fail as a result of failures in our network, or there are breaches in our information security systems, the impact is likely to be felt beyond any initial revenue loss. It is also likely to extend to reputational damage and a loss of Customer confidence, with the attendant impact on future business.	The technology strategy focuses on network resilience, future proofing wherever possible, decreasing the dependency on single supplier, and the use of 'off the shelf' technologies, rather than bespoke solutions. It also places significant emphasis on information security systems and mitigating the risk of cyber-attack and other threats to confidential data.	Investment during the year has been directed towards the continuing reduction in technology risk, further reducing key supplier and bespoke technology dependency. Arising from the heightened threat of cyber-attacks we have carried out a detailed preparedness review, which has been used to input into the risk management process.
Pension fund	Stable	The Group supports a defined benefit pension scheme for some employees and changes to investment returns and actuarial assumptions could cause an increase in funding requirements.	Regular review of the scheme's funding strategy provides an opportunity to ensure that the scheme operates efficiently, and that any issues that arise can be addressed in a timely manner. The Trustees are provided with support to ensure that the scheme continues to deliver the necessary returns to fund its ongoing liabilities.	There have been no significant changes to the scheme since it was closed to future accrual in 2014.

our responsibility to the isle of man

community

At Manx Telecom, we know that it's not enough to provide great products and services. As well as supporting the community through a range of sponsorships and charitable initiatives, our responsibility to the Isle of Man goes much further and embraces wider social, environmental, and ethical goals, especially through the use of technology.

We seek to sponsor and support activities that by definition strive to build a stronger local community, that are consistent with our values and are relevant to our employees. Annual funding is also provided to community initiatives that our employees are actively involved in.

'Staying safe online' continues to be an important cause for us. We have a raft of initiatives designed to help young people stay safe, both when using the internet, and their mobile phone. In early 2015, and in conjunction with the Isle of Man College and the Isle of Man Constabulary, we created a new guide specifically aimed at teenagers, to help them stay safe online. We also supported 'Crucial Crew', an island-wide initiative from multiple organisations and companies to help children learn important life skills and stay safe.

Manx Telecom is delighted to work with the Isle of Man Government on the **'Digital Inclusion'** initiative; the use of technology to help reduce social isolation amongst the elderly. After a successful trial in 2015, this is a cause which will be expanded further in 2016, with the active support of employees from across the company.

It's our community

This is our initiative that supports a wide range of local community projects with cash awards. Since it began in 2008 Manx Telecom's **'It's our community'** scheme has donated tens of thousands of pounds to local charities and community groups, with some of the recipients being groups our employees are closely involved in.

In 2015, 15 organisations from across the Island benefited from the scheme, including the local Duke of Edinburgh's award scheme, Friends of the Curraghs Wildlife Park and the Isle of Man Live at Home Scheme.

'It's our community' is a simple and effective way to ensure a small donation can make a big difference and we are pleased to confirm that the scheme will continue in 2016.

sponsorships

Tough Mann Challenge

Tough Mann is a team-oriented 10k obstacle course designed to test physical strength and mental courage with many of the obstacles requiring participants to help each other. It's hard to put the Tough Mann experience into words, it's a feeling like no other and a day where lifelong memories are created. Manx Telecom is pleased to support this year's event as headline sponsor on 6 August 2016.

www.toughmann.com

End 2 end Mountain Bike Challenge

Now in its 20th year the end 2 end provides a unique 75km endurance challenge from the North to the South of the Island, through plantations, across heather clad moors, forest trails, sharp climbs and breathtaking descents. Manx Telecom assists the event with both funding and technical support. Many of the Company's employees will be among the 1,500 competitors from the Isle of Man, UK and beyond lining up at the start on 11 September 2016.

www.end2end.com.im

The Royal Manx Agricultural show

The Royal Manx Agricultural Show is arguably the biggest community event on the Island, and a longstanding Manx institution offering a prestigious annual agricultural show alongside a weekend of fun, entertainment and attractions for the entire family. We are delighted to sponsor the show for the fourth year in succession. This year's show falls on Friday 12 and Saturday 13 August 2016.

www.royalmanx.com

Parish Walk

The 85 mile walk starts at the National Sports Centre in Douglas at 8 am on Saturday 18 June 2016 and entrants have 24 hours to walk the 85 miles checking in at the 17 Island Parish Churches. Now in its 103rd year, the event brings out the very best in our community and every year those who take part raise large sums for a host of charities and good causes. We provide the event organisers with technical, logistical, marketing and financial support.

www.parishwalk.com

board of directors

1. Kevin Walsh Non-Executive Chairman
Kevin was appointed Chairman on the Company's admission to AIM in February 2014. He is also Chairman of the Remuneration Committee.

Kevin was an Executive Director of KCOM Group plc, between May 2004 and August 2014. In addition he was the Chief Executive for the KC brand, which is the market-leading internet and telecoms provider for Hull and East Yorkshire. Prior to joining KCOM in 2000 Kevin was Managing Director of an internet startup and held a number of Divisional Managing Director roles within the Electrolux group.

Committee membership
Kevin is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

2. Gary Lamb Chief Executive Officer
Gary Lamb joined the business in October 2011 as Chief Financial Officer, and on 1 July 2015 became the Chief Executive Officer for the Manx Telecom Group. Gary is a qualified accountant (CIMA) who has gained extensive business experience over the past 20 years in numerous senior roles. Prior to joining Manx Telecom, Gary was a Founder Director of Bladon Jets Limited and remains a Non-Executive Director. Prior to this, Gary was the Finance & IT Director of Strix Limited, a world-leading innovator and manufacturer of thermostatic controls for water boiling appliances.

Committee membership
None

3. Danny Bakhshi Chief Financial Officer
Danny Bakhshi was appointed Chief Financial Officer for the Manx Telecom Group in February 2016 having gained extensive experience in the Telecoms industry after holding various senior leadership roles in BT, Vodafone and latterly Virgin Media where he held the position of Executive Commercial Director. Danny is a Fellow of the Association of Chartered Certified Accountants (FCCA).

Committee membership
None

4. Jeffrey Hume Senior Independent Non-Executive Director
Jeffrey Hume joined the business as a Non-Executive Director and the Chairman of its Audit Committee in January 2013. He became the Senior Independent Director of Manx Telecom plc on its IPO and subsequently the Chairman of the Nomination Committee. He is also the Deputy Chairman of the Dover Harbour board, the Senior Independent Director of the housing association Moat Homes Ltd, a member of the London Stock Exchange's Primary Markets Group, and was the Chairman of Hyder Consulting plc until its sale in 2014. He is a Fellow of both the Institute of Chartered Accountants and the Association of Corporate Treasurers.

Committee membership
Jeffrey is Chairman of the Audit Committee and the Nomination Committee, and also a member of the Remuneration Committee.

5. Sir Miles Walker, CBE, LLD (hc) Non-Executive Director
Sir Miles was awarded a Knight Batchelor in 1997 for services to the Government of the Isle of Man and was honoured as Commander of the British Empire in 1990. He became a Director of the family company, which was involved with dairy farming and the retail dairy industry. From 1976 to 2001, Sir Miles was a member of the Isle of Man Government, having been re-elected in 1981, 1986, 1991 and 1996. Highlights of his career include being in First Ministerial Office from 1981 to 1986, Chief Minister from 1986 to 1996 and a Member of Treasury from 1996 to 2001.

Committee membership
Sir Miles is a member of the Audit, Remuneration and Nomination Committees.

executive committee

1. John McChesney Human Resources Director
Prior to joining Manx Telecom in 2003, John held a number of key HR roles, primarily within the finance sector. He spent 16 years with the Zurich Financial Services group, and moved to live on the Island in 1995 to review and build the HR function within Allied Dunbar. He also spent time at Mi Research Ltd, an international consultancy group specialising in organisational culture change.

2. Fergal McKenna Sales Director
Fergal joined Manx Telecom as Sales Director in January 2012. He has extensive sector experience gained working first with Siemens Nixdorf and more recently with Cable & Wireless and Colt in leadership positions in Ireland, the UK and Europe. He was Director of Corporate Sales in Ireland and also led Colt's sales team in the UK finance sector, focusing on major international banks.

3. Kevin Paige Customer Services and Technology Director
Kevin has more than 30 years' experience in the telecoms and IT industries and joined Manx Telecom in 2013 with responsibility for all technology aspects of Manx Telecom's product portfolio, and service delivery on and off the Island. Before joining Manx Telecom, Kevin was with eircom, Ireland's largest telecommunications operator. From 2007 to 2010, Kevin worked for Level 3 Communications as Senior Vice President Technology Services – Europe and prior to that, held senior positions with Cable & Wireless and Vodafone UK.

4. David Smith Marketing Director
David joined Manx Telecom in 2011 and leads the marketing communications, product management and consumer sales teams. Prior to joining Manx Telecom, David was Regional Vice President Marketing Communications for Cable & Wireless in the Caribbean where he played a major role in developing and launching new brand propositions across 13 countries. He has also held senior marketing positions for telecoms operators in the UK, the Channel Islands, the Caribbean and Pakistan.

directors' report

The Directors are pleased to present their Annual Report and consolidated financial statements of Manx Telecom plc for the year ended 31 December 2015.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 23 which is incorporated into this report by reference together with the Corporate Governance Report on pages 24 and 40. These together contain certain forward-looking statements and forecasts with respect to the financial condition, results, operations and business of Manx Telecom plc which may involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this Annual Report to shareholders should be construed as a profit forecast.

Results and dividends

Results for the year are set out in the financial statements on pages 41 to 78. The financial position of the Group, its cash flows and liquidity position are further described in the Financial Review on pages 18 to 19.

Details of the proposed final dividend for the year ended 31 December 2015 are given in the Strategic Report on page 7. An interim dividend of 3.5p per share for the six months ended 30 June 2015 was paid on 9 November 2015.

Directors

The names and biographies of the current Directors of the Company are set out on page 24 of this Annual Report.

Mike Dee resigned as Chief Executive Officer on 30 June 2015 and Gary Lamb was promoted to CEO with effect from 1 July 2015. Danny Bakhshi, the new Chief Financial Officer was appointed to the Board on 1 February 2016.

Directors' share interests

Particulars of the number of ordinary shares of the Company in which the Directors were beneficially interested during the year are set out below.

	At 1 January 2015	At 31 December 2015
Mike Dee	576,228	*
Gary Lamb	500,000	500,000
Danny Bakhshi	–	–
Jeffrey Hume	70,422	70,422
Sir Miles Walker	63,523	63,523
Kevin Walsh	70,422	70,422

* Mike Dee resigned as Chief Executive Officer of the Company on 30 June 2015. Consequently his shareholding at 31 December 2015 is not presented above. At 30 June 2015 his beneficial interest in ordinary shares of the Company was 576,228 and he had 192,076 outstanding CIP awards.

Directors' remuneration

The Directors' Remuneration Report is set out on pages 33 to 38.

Related parties

The Group has no related parties other than the Directors and key management personnel.

Directors' indemnities

The Articles permit the Board to grant the Directors indemnities in relation to their duties as Directors, including third party indemnity provisions (within the meaning of the Isle of Man Companies Act 2006) in respect of any liabilities incurred by them in connection with any negligence, default, breach of duty or breach of trust in relation to the Company. Deeds of indemnity have been granted to each Director, but do not cover criminal acts.

Directors' and Officers' liability insurance

Directors' and Officers' Liability Insurance cover is in place at the date of this report. The Board remains satisfied that an appropriate level of cover is in place and a review of cover will take place on an annual basis.

Articles of Association

The Articles of Association ('Articles'), adopted on 3 February 2014, may only be amended by special resolution of the shareholders. A copy of the Articles is available on request from the Company Secretary.

Share capital: structure, rights and restrictions

Details of the Company's share capital are set out in note 16 to the financial statements on pages 67 to 68. The Company has a single class of share capital divided into 112,972,286 ordinary shares of £0.002 each. The rights and obligations attaching to these shares are governed by Isle of Man law and the Company's Articles.

Voting rights attaching to shares

Ordinary shareholders are entitled to receive notice and to attend and speak at any general meeting of the Company. On a show of hands every shareholder present in person or by proxy (or being a corporation represented by a duly authorised representative) shall have one vote, and on a poll every shareholder who is present in person or by proxy shall have one vote for every share of which he is the holder. The Notice of Annual General Meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies.

Deadlines for exercising voting rights attaching to shares

The Articles provide a deadline for the submission of proxy forms (whether by an instrument in writing or electronically) of not less than 48 hours before the time appointed for the holding of the meeting or the adjourned meeting.

Shares in uncertificated form

Directors may determine that shares may be held in uncertificated form and title to such shares may be transferred by means of a relevant system or that shares should cease to be so held and transferred.

Variation of rights attaching to shares

The Articles provide that rights attached to any class of shares may be varied with the written consent of the holders of not less than three quarters in nominal value of the issued shares, or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting, the quorum shall be two persons holding or representing by proxy at least one third in nominal value of the issued shares (calculated excluding any shares held in treasury). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking pari passu with them.

Restrictions on the transfer of shares and voting rights attaching to shares

There are no restrictions on the transfer of the ordinary shares other than:

- awards made at Admission under the Co-Investment Plan are conditional upon there being only limited disposals by the participants of their own investment shares;
- where, from time to time, certain restrictions may become imposed by laws and regulations (for example, insider trading laws); and
- pursuant to the Listing Rules of the Financial Conduct Authority whereby certain Directors, officers and employees of the Company require the approval of the Company to deal in the ordinary shares.

No shareholder holds securities carrying special rights as to the control of the Company. There are no limitations on the holding of securities. There are no restrictions on voting rights or any arrangements by which, with the Company's cooperation, financial rights carried by securities are held by a person other than the holder of the securities. There are no agreements between holders of securities that are known to the Company which may result in restrictions on the transfer of voting rights.

Authority to purchase own shares

The Directors have been authorised to purchase up to 10% of the Company's issued ordinary share capital as at the Annual General Meeting held on 8 June 2015. This authority will expire at the Annual General Meeting in 2016 at which a resolution to renew the authority for a further year will be proposed. No shares have been purchased by the Company during the year.

As at 29 April 2016, being the latest practicable date prior to the publication of this report, the Company did not hold any shares in treasury.

Appointment and replacement of Directors

Unless determined by ordinary resolution of the Company, the number of Directors shall not be less than two. A Director is not required to hold any shares in the Company by way of qualification.

The Board may appoint any person to be a Director and such Director shall hold office only until the next AGM, when he or she shall be eligible for appointment by the shareholders. The Articles provide that at each AGM, one third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not exceeding one third) shall retire from office. A Director who retires at any AGM shall be eligible for reappointment. In addition, any Director appointed by the Board shall hold office only until the next following AGM and shall then be eligible for appointment.

Power of Directors

Subject to the Articles, the Isle of Man Companies Act 2006 and any directions given by special resolution, the business of the Company shall be managed by the Board who may exercise all the powers of the Company to, for example: borrow money; mortgage or charge any of its undertakings, property and uncalled capital; and issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company.

Political donations

The Company has made no political donations during the year and intends to continue its policy of not doing so for the foreseeable future.

Post-balance sheet events

Post-balance sheet events are set out in note 25 to the financial statements on page 78.

Major interests in shares

As at 29 April 2016, the Company had been advised, in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, of the following notifiable interests (whether directly or indirectly held) in 3% or more of its voting rights:

Number of securities in issue – 112,972,286. AIM securities not in public hands – 2.16%.

Identity of significant shareholders (over 3%) as follows:

	%
Standard Life Investments Limited	7.35
FIL Investment Services (UK) Limited	6.52
AXA Investment Managers UK Limited	5.65
Aberdeen Fund Managers Limited	5.54
Unicorn Asset Management Limited	5.06
Santander Asset Management UK	5.02
Hargreave Hale Limited	4.78
Premier Fund Managers Limited	4.71
Oakley Capital Management Limited	3.43

Going concern
After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. In making this assessment they have considered the Company and Group budgets, and cash flow forecasts for the period to December 2017. The Group has considerable financial resources, minimal liquidity risk and is operating within a sector that is experiencing relatively stable demand for its products. The Directors therefore have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Audit information
Each of the Directors at the date of the approval of this report confirms that:

- so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he has taken all the reasonable steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

Registered agent
The registered agent of the Company at 31 December 2015 was Estera Trust (Isle of Man) Limited (formerly Appleby Trust (Isle of Man) Limited) who served throughout the year and has continued to date.

Auditors
The Auditors, KPMG Audit LLC, have indicated their willingness to continue in office and a resolution seeking to reappoint them will be proposed at the Annual General Meeting.

Annual General Meeting
The Company's Annual General Meeting will be held at the Company's main office at the Isle of Man Business Park, Cooil Road, Braddan, Isle of Man IM99 1HX on 15 June 2016 at 9am. Details of the meeting venue and the resolutions to be proposed are set out in a separate Notice of Meeting.

The Directors' Report has been approved by the Board of Manx Telecom plc.

By order of the Board

Danny Bakhshi
Company Secretary

12 May 2016

Manx Telecom plc
Registered Office:
33-37 Athol Street
Douglas
Isle of Man IM1 1LB
Company No: 005328V

corporate governance report

Dear Shareholder

Principles of Corporate Governance

As a Board we recognise that applying sound governance principles in running the Company is essential to provide a solid platform for growth and to maintain the trust of our stakeholders. The Directors have decided to apply the principles set out in the QCA Code, which is a similar but simplified version of the UK Corporate Governance Code ('the Code'). The Directors also acknowledge the importance of the principles set out in the Code and, although adherence to the Code is not compulsory, the Directors aim for the Company to apply the Code to a greater extent, relative to its size.

The Board

The Board has arranged a schedule of meetings to consider strategy, performance and the framework of internal controls. We have a Board that has and will support and challenge management to deliver its objectives. The Company has established Audit, Remuneration and Nomination Committees of the Board with formally delegated duties and responsibilities. To enable the Board and its Committees to discharge their duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with.

As Chairman I would like to state my full commitment to maintaining high standards of corporate governance and to being transparent about our arrangements.

Kevin Walsh
Chairman

Operation of the Board and its Committees

The role of the Board

The Board has an approved Schedule of Matters Reserved for the Board which sets out the Board's responsibilities. The key tasks of the Board are:

- setting the Company's values and standards;
- approval of the Group's strategic aims and objectives;
- approval of operating and capital expenditure budgets;
- oversight of operations ensuring adequate systems of internal controls and risk management are in place, ensuring maintenance of accounting and other records and compliance with statutory and regulatory obligations;
- review of performance in light of strategy and budgets ensuring any necessary corrective actions are taken;
- approval of the financial statements, Annual Report and accounts, material contracts and major projects;
- approval of dividend policy;
- changes to structure, size and composition of the Board;
- determining remuneration policy for the Directors and senior executives and approval of the remuneration of the Non-Executive Directors; and
- approval of communications with shareholders and the market.

Composition of the Board

The Board comprises five Directors, two of whom are Executive Directors, and three of whom are Non-Executive Directors, reflecting a blend of different experience and backgrounds. A majority of the Directors are resident on the Isle of Man. Notwithstanding Sir Miles Walker's involvement with the Group prior to the IPO, each Non-Executive Director is deemed independent for the purposes of the QCA Code. Details of each of the Directors' experience and background is given in their biographies on page 24, apart from Chris Hall whose biography is given in the Notice of Annual General Meeting.

Appointments to the Board and re-election

Danny Bakhshi and Christopher Hall will stand for election and Jeffrey Hume will stand for re-election at the 2016 Annual General Meeting. The process for re-election of Directors of the Company is governed by its Articles. At each Annual General Meeting of the Company one third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one third, shall retire from office. If there are fewer than three Directors who are subject to retirement by rotation, one Director shall retire from office. Under the Articles, the Board has the power to appoint a Director during the year but any person so appointed must stand for election at the next Annual General Meeting.

Division of responsibilities

Chairman and Chief Executive Officer

The division of responsibilities between the Chairman and Chief Executive Officer has been agreed by the Board.

Senior Independent Director

The Senior Independent Director is Jeffrey Hume who is available to shareholders as a communication channel if required.

Non-Executive Directors

The Non-Executive Directors' letters of appointment set out the duties of the Director and commitment expected. Non-Executive Directors are appointed for an initial three-year term with typical tenure expected of two three-year terms, subject to re-election by shareholders. They are expected to commit at least 24 days per annum to their role. Key elements of the Non-Executive Director's role are:

- Strategy – Constructively challenge and develop proposals.
- Performance – Scrutinise the performance of management in meeting agreed goals and objectives and monitor reporting of performance.
- Risk – Non-Executive Directors should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust.
- People – Determine appropriate levels of remuneration of Executive Directors and prime role in appointing Executive Directors and succession planning.

Development, information and support
The Directors are encouraged to attend training and continuing professional development courses as required.

The Chief Financial Officer, Danny Bakhshi, is also the Company Secretary and supports the Chairman in ensuring that the Board receive the information and support they need in order to carry out their roles.

Conflicts of interest
A process has been developed to identify any of the Directors' potential or actual conflicts of interest. This includes declaring any new conflicts before the start of each Board meeting.

Performance evaluation
An internal performance evaluation of the Board and its Committees was carried out and the results were analysed in order to identify areas for improvement. The outcome of these reviews indicated that the Board and its Committees were effective in carrying out their duties.

Board and committee attendance
The number of formal scheduled Board and committee meetings held and attended by Directors during the year was as follows:

	Board	Audit	Remuneration	Nomination
Kevin Walsh	7/7	3/3	5/5	3/3
Mike Dee*	3/3	–	–	–
Gary Lamb	7/7	–	–	–
Jeffrey Hume	7/7	3/3	5/5	3/3
Sir Miles Walker**	6/7	3/3	4/5	3/3

* Mike Dee resigned as a Director of the Company on 30 June 2015.
** Sir Miles Walker was unable to attend the meetings held on 2 November 2015 due to a prior commitment.

The Board Committees
Membership of all three Board Committees is composed of the Chairman and the two Non-Executive Directors. As such they are compliant with both the UK Corporate Governance and QCA Codes.

Members of the Committees are authorised to obtain, at the Company's expense, professional advice on any matter within their terms of reference and to have access to sufficient resources in order to carry out their duties. The role of the Nomination Committee is set out below. A report of the Audit Committee is provided separately on pages 31 to 32 and the Directors' Remuneration Report is provided on pages 33 to 38.

The Role of the Nomination Committee
The Nomination Committee consists entirely of independent Non-Executive Directors. The Chairman is Jeffrey Hume.

During the year, the Nomination Committee addressed the requirement to select a new Chief Executive Officer following the announcement on 12 February 2015 that Mike Dee would retire. The selection process was rigorous and as a result the Nomination Committee were able to select an outstanding candidate to replace the outgoing CEO. The appointment of Gary Lamb as Chief Executive Officer, was announced on 27 May 2015.

The Nomination Committee then considered the selection of a Chief Financial Officer as a replacement for Gary Lamb. A further rigorous selection process was undertaken, and on 21 December 2015, the Company was able to announce that Danny Bakhshi had been selected, and would be joining the Board on 1 February 2016. The biography of Danny Bakhshi can be found on page 24 of this Annual Report.

The Committee subsequently concluded a process to recruit a successor to Sir Miles Walker as a Non-Executive Director who will retire at the 2016 Annual General Meeting. The biography of Christopher Hall can be found in the notes to the Notice of that meeting.

Duties
The main duties of the Nomination Committee are set out in its Terms of Reference and include:
- to regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
- to give full consideration to succession planning for Directors and other senior executives, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;
- to keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- to keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;
- to be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- to evaluate the balance of skills, knowledge, experience and diversity on the Board and prepare a description of the role and capabilities required for a particular appointment before any appointment is made by the Board.
- to review the results of the Board evaluation process that relate to the composition of the Board and discuss the outcome with the full Board; and
- to review annually the time required from Non-Executive Directors.

report of the audit committee

Dear Shareholder

I have been the Chairman of the Audit Committee since early 2013, and am pleased to set out below an account of our role and activities during 2015 and up to the publication of this Annual Report.

The primary responsibilities of the Audit Committee are to provide effective governance over the appropriateness of the Group's financial reporting including the adequacy of related disclosures, the judgement whether the Annual Report as a whole is 'Fair, balanced and understandable', the performance of both the Internal Audit function and the External Auditor, and the management of the Group's systems of internal control and business risks.

As the Group has settled into operating within the environment of an AIM listed company, we have continued with the implementation of key internal controls, policies and procedures and ensuring the execution of a comprehensive internal audit plan of activity.

The Board has ultimate responsibility for determining the nature and extent of the significant risks facing the business, and for ensuring that risks are managed effectively across the Group. Risk management is a regular agenda item at Board and Audit Committee meetings and the Board considers the impact of the Group's principal risks in detail during the annual Group strategy process. This is designed to ensure that the Board and Audit Committee understand the key risks within the business and the methods by which these risks are managed.

The Committee will continue with these priorities during the following year.

Jeffrey Hume
Chairman of the Audit Committee

Who we are

The Audit Committee consists entirely of independent Non-Executive Directors:
Jeffrey Hume (Chairman)
Kevin Walsh
Sir Miles Walker

The Board has determined that Jeffrey Hume has the recent and relevant financial experience, which would be required under the Corporate Governance Code, to chair this Committee. He is also a Fellow of both the Institute of Chartered Accountants and the Association of Corporate Treasurers.

How we meet

The Committee met three times during 2015 and has so far met once in 2016. KPMG Audit LLC, our External Auditor, attended each of these meetings. The Chief Executive Officer, Chief Financial Officer, the head of Internal Audit and a Secretarial Assistant also attended committee meetings by invitation. The Committee sought the views of the External Auditor and the head of Internal Audit, each without the other or any executives present.

What we have been asked to do

The Board has set Terms of Reference for the Committee which require us:

a) to monitor the integrity of the financial statements of the Company, including its annual and interim reports;
b) to review and challenge where necessary any changes to, and consistency of, accounting policies, whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor, the going concern assumption and all material information presented with the financial statements;
c) to keep under review the effectiveness of the Company's internal control systems (including financial, operational and compliance controls and risk management) and to review and approve the statements to be included in the Annual Report concerning internal controls and risk management;
d) to review the internal audit programme;
e) to consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, reappointment and removal of the Company's external auditor;
f) to oversee the relationship with the external auditor including approval of their remuneration, approval of their terms of engagement, assessment annually of their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
g) to meet regularly with the external auditor and at least once a year, without any Executive Director or other member of management present to discuss any issues arising from the audit;
h) to review and approve the annual external audit plan and review the findings of the audit; and
i) to review the Company's arrangements for its employees and contractors to raise concerns in confidence about possible improprieties in financial reporting or other matters, the Company's procedures for detecting fraud and the Company's anti-bribery procedures.

Financial reporting – significant issues

The Committee members reviewed the 2015 Preliminary Results announcement and Annual Report, the 2015 Interim Results announcement and reports from the external auditor, KPMG Audit LLC, on the planning for and outcome of their reviews and audit.

We considered key accounting issues and judgements in relation to the Group's financial statements and disclosures. The primary areas in relation to the 2015 accounts and how these were addressed:

a) Revenue recognition – The Committee made enquiry into and obtained assurance in particular over termination income and roaming costs;
b) Capital expenditure – The Committee satisfied itself on material projects that only the appropriate expenditure had been capitalised and that depreciation had commenced when the assets had been put into use, also that related assets had consequently been subject to an impairment review;
c) Defined benefit pension scheme – The Committee took advice from independent actuaries Towers Watson on the assumptions used to value the scheme and questioned the changes from the previous year. It also took some comfort from surveys by KPMG of their other clients' Financial Statements; and
d) Financial instruments – The Committee examined the financing amendments which were negotiated during the year and concluded that it remained appropriate to capitalise the unamortised arrangement costs.

Corporate Governance

The Board asked the Committee to formally consider whether the Annual Report, taken as a whole, is fair, balanced, and understandable; also that it provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Committee members were provided with a draft copy of the Annual Report early in the drafting process in order to assess the broad direction and key messages being communicated. Committee members provided feedback highlighting any areas where they believed further clarity was required. This feedback was incorporated into the draft report provided to the Audit Committee meeting for final comment and approval and the External Auditor was given an opportunity to comment. The Committee was able to give the Board the requested assurance.

External audit

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. We received from KPMG Audit LLC a proposed audit plan which identified their assessment of the key risks. The audit plan set out the scope of the audit, areas to be targeted and audit timetable. This plan was reviewed and agreed in advance by the Audit Committee and KPMG subsequently presented their report on their findings to the Audit Committee for discussion.

The Audit Committee monitored the relationship with KPMG to ensure that auditor independence and objectivity are maintained. Our assessment was primarily based upon the reports we received, how our challenges were met, the enquiries we made into their work and the insights they were able to contribute. We also received feedback from the management team. As part of its review the Committee monitored the provision of non-audit services by KPMG which were small in comparison to the audit fee.

Having reviewed the auditor's independence and performance the Audit Committee is recommending that KPMG Audit LLC be reappointed as the Company's auditor at the June 2016 Annual General Meeting.

Internal audit

The Audit Committee monitored and reviewed the scope, extent and effectiveness of the activity of the Internal Audit department. Reports from Internal Audit routinely include updates on audit activities, progress of the audit plan, management action plans to address areas requiring improvement and the changing resource requirements of the Internal Audit department. The Committee discussed the implications of these reports with management and ensured that the recommendations and agreed actions received proper focus.

Internal controls and risk management

The Company has in place a system of internal financial controls commensurate with its current size and activities, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. A suite of internal policies and procedures is being compiled. These procedures include the preparation of management accounts, forecast variance analysis and other ad hoc reports. There are clearly defined authority limits throughout the Group, including those matters which are reserved specifically for the Board. Risks throughout the Group are considered and reviewed on a regular basis. Risks are identified and mitigating actions put into place as appropriate. The principal risks identified are set out in the Strategic Report on pages 1 to 23.

Further governance

The Committee also reviewed, before publication, Company policy statements on Data Protection, Data Control, Data Retention, Business Expenses, Financial Risk Management, Grievance and Gifts / Hospitality together with the effectiveness of the related procedures.

The Committee's activities were reviewed as part of the annual evaluation of Board effectiveness. All members of the Board participated and it was determined that the Audit Committee was effective in performing its duties as determined by the Terms of Reference.

directors' remuneration report

Chairman's statement

On behalf of the Board I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2015.

This report is split into two parts The first part describes our Directors' remuneration policy and the second part describes how we intend to implement our policy for 2016 and, separately, the basis for the remuneration paid to Directors in respect of 2015. In addition, following feedback from our institutional shareholders we will be submitting the report for shareholder approval at this year's Annual General Meeting, via an advisory resolution. This will ensure that there is full accountability to shareholders for the policy and its implementation.

Our level of disclosure and accountability on Directors' pay significantly exceeds the reporting and voting requirements for an AIM listed Company, in line with the Board's commitment to high standards of corporate governance transparency.

In relation to remuneration paid in 2015, as described elsewhere in this Annual Report, the Company achieved improvements in key areas of business performance, increasing revenue and EBITDA, reducing net debt, whilst continuing to invest in the business by creating a new data centre facility (GDC 2).

This overall performance, through a year of significant change, demonstrates the strength of our business model, the strong and effective leadership of our management team and the talents of our people. Stretching performance conditions were set at the start of the year for the bonus plan and the solid performance delivered resulted in an annual bonus payable to Executive Directors of 20% of salary out of the maximum opportunity of 100% of salary. There were no LTIP awards due to vest by reference to performance periods ending in 2015. The Committee believes that the overall remuneration delivered in relation to 2015 represents a fair outcome in relation to the performance delivered to shareholders and other stakeholders.

During the year Mike Dee, our Chief Executive Officer, retired and he was paid in line with the policy, with no additional payments outside the policy on his retirement. Gary Lamb, previously the Chief Financial Officer, was promoted to Chief executive on 1 July 2015 following a thorough recruitment process and the structure of his package is in line with our remuneration policy. The Committee considered carefully the base salary level for his role and after looking at comparative data, both for other positions within the Company and salary levels paid to other company chief executives in our sector, concluded that a base salary of £290,000 should be payable for this role.

Gary Lamb's promotion necessitated a search for a new Chief Financial Officer and we are delighted to have been able to secure the services of Danny Bakhshi, who joined us on 1 February 2016. His package has been structured in line with the policy and his base salary set at £210,000. In order to secure his appointment it was necessary to buy-out some deferred share awards, which had achieved the performance conditions and would have vested had he continued in employment.

Accordingly an award of shares will be granted worth £100,000, which will vest on the second anniversary of grant subject to continued service. This award is worth less than the value of the awards that Danny Bakhshi forfeited, but otherwise vest on similar terms.

Following the significant review of the remuneration policy for 2015, there have been no changes in its implementation for 2016 for Executive Directors.

I hope that shareholders will be supportive of the resolution to approve this report.

Kevin Walsh
Chairman of the Remuneration Committee

Membership of the Remuneration Committee

The members of the Committee are listed in the table below. All of these are independent Non-Executive Directors, as defined under the Corporate Governance Code with the exception of the Company Chairman who was independent on his appointment.

The members of the Committee during the last financial year and their attendance at the meetings of the Committee were:

	Number of meetings attended
Kevin Walsh	5/5
Jeffrey Hume	5/5
Sir Miles Walker	4/5

Duties

The main duties of the Remuneration Committee are set out in its Terms of Reference and include:

– determining the framework or broad policy for the remuneration of the Company's Chief Executive, the Executive Directors, the Company Secretary and such other members of the executive management as it is designated to consider;
– reviewing the ongoing appropriateness and relevance of the remuneration policy;
– approving the design of, and determining targets for, any performance-related pay schemes;
– determining the policy for, and scope of, pension arrangements for each Executive Director and other senior executives;
– determining the total individual remuneration package of each Executive Director and other senior executives including bonuses, incentive payments and share awards; and
– establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.

Part 1 – Remuneration Policy for Executive Directors

The objective of the Company's remuneration policy for Executive Directors is to ensure that it supports the long-term strategy of the business and provides a strong alignment of interest between executives and shareholders.

The total remuneration package is structured so that a significant proportion is linked to performance conditions measured over both the short term and longer term. A high proportion of the potential remuneration is paid in shares, thereby ensuring that executives have a strong ongoing alignment with shareholders through the Company's share price performance.

When setting the levels of short-term and long-term variable remuneration and the balance of cash and share-based elements, consideration is given to obtaining the appropriate balance so as not to encourage unnecessary risk-taking, whilst ensuring that performance hurdles are suitably challenging.

The table below summarises the key aspects of the Company's remuneration policy for Directors:

Element	Purpose and link to strategy	Operation	Maximum opportunity
Base salary	To recruit and reward executives of a suitable calibre for the role and duties required.	Reviewed annually by the Committee, taking account of Company performance, individual performance, changes in responsibility and levels of increase for the workforce generally. Reference is also made to comparator benchmarks from time to time. The Committee considers the impact of any basic salary increase on the total remuneration package.	In relation to the policy for salary increases, there is no prescribed maximum annual increase. The Committee is guided by movements in market rates, the performance of the business and the general salary increase for the broader employee population, but on occasions may need to recognise, for example, development in role, change in responsibility, and/or specific retention issues.
Benefits	To provide market-competitive benefits and to ensure the wellbeing of employees.	The Company typically provides: – Car allowance – Medical insurance – Death and disability insurance – Other ancillary benefits, including relocation expenses (as required) Executive Directors are also entitled to 30 days' leave per annum.	Car allowance is determined by seniority. The value of other benefits is based on the cost to the Company and is not predetermined.
Pension	To provide market-competitive benefits and to assist post retirement financial planning.	A Company contribution to a money purchase pension scheme or provision of cash allowance in lieu of pension at the request of the individual.	Up to 10% of base salary.
Annual bonus	To encourage and reward delivery of the Company's operational objectives.	The annual bonus is based on performance against a range of financial and non-financial metrics. One third of any bonus earned will be paid in shares, which must be held for at least two years. A recovery and withholding mechanism applies in the event of a material misstatement of the Group's accounts and also for other defined reasons.	100% of salary at stretch performance.
Long-term incentives ('LTIP')	To encourage and reward delivery of the Company's long-term strategic objectives and provide alignment with shareholders through the use of share-based remuneration.	Annual awards of performance shares. Awards are released subject to continued employment and satisfaction of challenging performance conditions measured over three years. A recovery and withholding mechanism applies to all participants in the event of a material misstatement of the Group's accounts and also for other defined reasons.	The maximum limit in the plan rules is 150% of salary (face value of shares at grant). The current policy within the plan limit is 100% of base salary. 25% of the award is payable for threshold performance. Dividends that would be payable on the share awards are rolled up and paid out (in cash) at the end of the vesting period based on the proportion of the award that actually vests.
Non-Executive Director fees	To attract and retain a high-calibre Chairman and Non-Executive Directors by offering a market-competitive fee level.	Fees are reviewed periodically. Fee levels are set as appropriate for the role and responsibility for each NED position and with reference to market levels in comparably sized public companies. Fees are paid in cash. The Chairman is paid a single fee for all his responsibilities. The Non-Executives are paid a basic fee. The Senior Independent Director and Chairman of the Audit Committee receive an additional fee to reflect extra responsibilities. Currently the Chairman of the Remuneration Committee is also the Company Chairman. Despite the additional workload entailed, no additional fee is currently payable.	There is no prescribed maximum annual increase. Any increases to fee levels are guided by movements in market rates, the performance of the business and the general salary increase for the broader employee population, but on occasions may need to recognise, for example, change in responsibility, and/or time commitments.

Service contracts and payments for loss of office

The Remuneration Committee reviews the contractual terms for new Executive Directors to ensure that these reflect best practice.

Service contracts normally continue until the Director's agreed retirement date or such other date as the parties agree. The service contracts contain provision for early termination subject to six months' notice from either the Company or the Executive Director.

A Director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct. If the employing company terminates the employment of an Executive Director in other circumstances, compensation is limited to salary due for any unexpired notice period and any amount assessed by the Remuneration Committee as representing the value of other contractual benefits (including pension) which would have been received during the period. Payments in lieu of notice are not pensionable. In the event of a change of control of the Company there is no enhancement to contractual terms.

Service contracts are available for inspection at the Company's registered office.

Part 2 – Annual remuneration report

How the remuneration policy will be applied in 2016

2016 salary review

The salary level for Gary Lamb and Danny Bakhshi will remain unchanged at £290,000 and £210,000 respectively. The next review date will be April 2017.

Performance targets for the 2016 annual bonus

The annual bonus plan will be based on a range of metrics, EBITDA, Free Cash Flow, and Revenue, with a weighting of 40:40:20 respectively. Sliding scales will be set for each metric. The target rates for the 2016 annual bonus are not disclosed prospectively in this report as they are considered to be commercially sensitive. However, it is our intention that details of the target ranges, and achievement against them, will be set out in next year's report.

Bonus will be capped at 100% of base salary, with two thirds payable for plan performance. One third of bonus earned must be invested in shares and deferred for two years.

LTIP awards to be granted in 2016

LTIP awards will be made over shares worth 100% of base salary and will be subject to Earnings Per Share and Free Cash Flow metrics, measured over the three financial years to 2018, with a weighting of 50:50 respectively. A sliding scale range has been set for each metric. As follows:

For the 50% of an award subject to EPS growth:

Compound annual EPS Growth from 2015 year end to 2018 year end	Percentage of the half of the Award subject to the EPS Condition that Vests
Below 2%	0%
2%	25%
Between 2% and 6%	Vesting on a straight line basis
6% or more	100%

For the 50% of the award subject to operating cash flow ('OCF'), defined as cash generated from operations before capital expenditure and interest:

Aggregate OCF for financial years 2016, 2017 and 2018	Percentage of the half of the Award subject to the OCF Condition that Vests
Below £51.62m	0%
£51.62m	25%
Between £51.62m and £54.62m	Vesting on a straight-line basis
£54.62m	100%

Remuneration payable to Directors for the financial year 2015

The table below sets out the remuneration payable to the Directors in relation to the financial year 2015.

		Salary and fees £	Benefits[1] £	Pension £	Annual bonus[4] £	Long-term incentives[5] £	Total £
Executive Directors							
Mike Dee[2]	2015	154,932	12,136	6,000	16,667	–	189,735
	2014	196,625	14,443	33,440	100,000	–	344,508
Gary Lamb[3]	2015	235,000	13,210	23,500	38,667	–	310,377
	2014	177,000	13,127	17,611	90,000	–	297,738
Non-Executive Directors							
Kevin Walsh[6]	2015	80,000	–	–	–	–	80,000
	2014	80,000	–	–	–	–	80,000
Sir Miles Walker	2015	40,000	–	–	–	–	40,000
	2014	40,000	–	–	–	–	40,000
Jeffrey Hume[7]	2015	50,000	–	–	–	–	50,000
	2014	50,000	–	–	–	–	50,000

1. Benefits are as set out in the remuneration policy.
2. The 2015 remuneration of Mike Dee, former Chief Executive Officer, relates to his employment up to 30 September. Part of his pension amount for 2014 relates to a one-off transition payment relating to the closure of the Defined Benefit Pension Scheme.
3. The 2015 remuneration of Gary Lamb relates to his service as Chief Financial Officer up to 30 June 2015 and as Chief Executive Officer thereafter.
4. This relates to the achievement of the Revenue, EBITDA and Free Cash Flow metrics. The stretching minimum thresholds for free cash flow and revenue of £15.8m and £80.5m respectively were missed, but the threshold for EBITDA of £27.7m was achieved, reflective of profit growth over the year. Accordingly, the Committee determined that a bonus of 20% of salary should be payable to Executive Directors.
   For Mike Dee his bonus amount has been scaled back pro rata for the proportion of the financial year he worked as a Chief Executive Officer and the bonus is payable in cash.
   For Gary Lamb two thirds of the bonus is payable in cash and one third of the net bonus is used to purchase shares on behalf of the executive, which must be held for two years.
5. No long-term incentive awards were due to vest in relation to performance periods ending 31 December 2015.
6. For Kevin Walsh no additional fee was payable for chairing the Remuneration Committee.
7. For Jeffrey Hume, included in the number were additional fees of £6,000 payable for chairing the Audit Committee and £4,000 payable for the role of SID.

Directors' interests in share-based incentive plans

Executive	Scheme	Grant date	Exercise price	Number of shares at 31 December 2014	Granted during year	Vested during year	Lapsed during year	Number of shares at 31 December 2015[3]	End of performance period	Vesting date
Mike Dee	CIP[1,2,3]	10.02.14	Nil	288,113	–	–	(96,037)	192,076	09.02.17	09.02.17
Gary Lamb	CIP[1,2]	10.02.14	Nil	250,000	–	–	–	250,000	09.02.17	09.02.17
	LTIP[4]	11.05.15	Nil	–	95,576	–	–	95,576	31.12.17	11.05.18

1. The awards granted under the CIP on 10 February 2014 were structured on a co-investment basis whereby executives were granted a share award for every two beneficially owned shares that they committed into the plan.
2. The CIP awards will vest to the extent that a total shareholder return ('TSR') performance condition is achieved after three years, comparing the Company's TSR (based on the IPO price) against a peer group of 11 other telecoms businesses listed in the UK. 25% of the award will vest if Manx Telecom's TSR performance is at the median, rising on a straight-line basis so that there is full vesting for top quartile TSR performance.
3. For Mike Dee's CIP award, on retirement the number of shares was scaled back from his original award level to reflect the shorter period of service than the award originally spanned. The scaled-back number of awards will be subject to the TSR performance condition measured over the full three year period will require retention of a pro rata number of the committed shares.
4. Gary Lamb was granted an additional LTIP award on 28 January 2016 so that his 2015 LTIP award equated to 100% of his salary, after this was increased to £290,000 on his promotion to Chief Executive. The terms of this additional award are identical to the terms of his 2015 LTIP award.

The performance conditions for the LTIP award granted in 2015 are set out below.

For the 50% of an award subject to EPS growth:

Compound annual EPS Growth from 2014 year end to 2017 year end	Percentage of the half of the Award subject to the EPS Condition that Vests
Below 2%	0%
2%	25%
Between 2% and 6%	Vesting on a straight-line basis
6% or more	100%

For the 50% of the award subject to operating cash flow:

Aggregate OCF for financial years 2015, 2016 and 2017	Percentage of the half of the Award subject to the OCF Condition that Vests
Below £50.18m	0%
£50.18m	25%
Between £50.18m and £53.18m	Vesting on a straight-line basis
£53.18m	100%

Directors' shareholding and share interests

To align the interests of the Executive Directors and senior management with shareholders, participating executives are required to build up shareholdings through the retention of shares vesting under the Company's share plans. The Executive Directors are required to build up a shareholding equivalent to at least 100% of salary, to be achieved through retaining at least 50% of their net of taxes gain arising from any shares vesting or acquired under the long-term incentive share plans, until such time as the share ownership target has been met. The Chairman and Non-Executive Directors are encouraged to hold shares in the Company but are not subject to a formal shareholding guideline. Details of the Directors' interests in shares are shown in the table below:

Director	Beneficially owned at 31 December 2014	Beneficially owned at 31 December 2015	Outstanding CIP/LTIP awards	% Shareholding guideline achieved at 31 December 2015
Mike Dee[1]	576,227	–	192,076	–
Gary Lamb	500,000	500,000	345,576	100%
Kevin Walsh	70,422	70,422	–	–
Jeffrey Hume	70,422	70,422	–	–
Sir Miles Walker	63,523	63,523	–	–

1. Mike Dee resigned as a director of the Company on 30 September 2015. Consequently his shareholding at 31 December 2015 is not presented above. At 30 September 2015 his beneficial interest in ordinary shares of the Company was 576,227 and he had 192,076 outstanding CIP awards.

This report was approved by the Board of Directors and signed on its behalf by:

Kevin Walsh
Chairman of the Remuneration Committee

statement of directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. In addition, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU.

The financial statements are required to give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time its financial position. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

By order of the Board

Danny Bakhshi
Company Secretary

12 May 2016

Manx Telecom plc
Registered Office:
33-37 Athol Street
Douglas
Isle of Man
IM1 1LB
Company No: 005328V

report of the independent auditors

We have audited the financial statements of Manx Telecom plc for the year ended 31 December 2015 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statement of Changes in Equity and the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the EU ('IFRSs').

This report is made solely to the Company's members, as a body. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 39, the Directors are responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ('APB's') Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended; and
- have been properly prepared in accordance with IFRSs.

KPMG Audit LLC
Chartered Accountants
Heritage Court
41 Athol Street
Douglas
Isle of Man
IM99 1HN
12 May 2016

consolidated statement of comprehensive income

for the year ended 31 december 2015

	Note	2015 £'000	2014 £'000
Revenue	1.12,2	**79,598**	79,254
Cost of sales		**(31,943)**	(32,831)
Gross profit		**47,655**	46,423
Administrative expenses		**(29,080)**	(23,192)
Operating profit	4	**18,575**	23,231
Underlying EBITDA		**27,654**	27,101
Depreciation and amortisation	7,8	**(9,079)**	(9,490)
Underlying operating profit		**18,575**	17,611
Impairment of equipment	4,7	**–**	(592)
Pension scheme reorganisation	4	**–**	6,212
Operating profit		**18,575**	23,231
Other income	7	**50**	140
Financial income	5	**170**	72
Finance costs	5	**(2,576)**	(8,437)
Listing expenses	4	**–**	(7,991)
Net profit/(loss) on interest rate swaps	17(d)	**334**	(1,299)
Profit before tax		**16,553**	5,716
Taxation	6	**–**	–
Profit for the year attributable to the owners of the Group		**16,553**	5,716
Underlying Profit before Tax		**16,553**	12,945
Impairment of equipment	4	**–**	(592)
Pension scheme reorganisation	4	**–**	6,212
Release of capitalised loan transaction costs	4	**–**	(4,567)
Refinancing costs	4,13	**–**	(291)
Listing expenses	4	**–**	(7,991)
Profit before tax		**16,553**	5,716
Other comprehensive income – items that will never be reclassified to profit or loss			
Remeasurement of defined benefit pension scheme asset	15	**(3,100)**	800
Total comprehensive profit for the year attributable to the owners of the Group		**13,453**	6,516
Earnings per share from continuing operations			
Basic	23	**14.65p**	5.40p
Diluted	23	**14.53p**	5.37p
Underlying basic	23	**14.65p**	12.22p
Underlying diluted	23	**14.53p**	12.17p

The Directors consider that all results are derived from continuing operations.

The notes on pages 46 to 78 form an integral part of these financial statements.

consolidated and company statements of financial position

as at 31 december 2015

	Note	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Non-current assets					
Property, plant and equipment	7	**63,968**	65,098	**–**	–
Goodwill	3	**84,277**	84,277	**–**	–
Intangible assets	8	**364**	516	**–**	–
Retirement benefit asset	15	**400**	2,200	**–**	–
Interest rate swaps	17(d)	**103**	–	**–**	–
Investments in subsidiaries	9	**–**	–	**1,513**	831
		149,112	152,091	**1,513**	831
Current assets					
Inventories	10	**594**	794	**–**	–
Trade and other receivables	11	**19,235**	16,708	**1**	1
Due from related parties	19	**–**	–	**94,636**	87,208
Cash and cash equivalents	12	**16,601**	15,156	**–**	–
		36,430	32,658	**94,637**	87,209
Current liabilities					
Due to subsidiary	19	**–**	–	**(9,537)**	(2,100)
Trade and other payables	14	**(24,933)**	(26,475)	**(1)**	–
		(24,933)	(26,475)	**(9,538)**	(2,100)
Net current assets		**11,497**	6,183	**85,099**	85,109
Non-current liabilities					
Interest-bearing loans and borrowings	13	**(68,785)**	(68,948)	**–**	–
Interest rate swaps	17(d)	**(777)**	(1,008)	**–**	–
		(69,562)	(69,956)	**–**	–
Net assets		**91,047**	88,318	**86,612**	85,940
Equity attributable to the owners of the Group and Company					
Share capital	16	**226**	226	**226**	226
Share premium	16	**84,347**	84,343	**84,347**	84,343
Own shares	16	**–**	–	**–**	–
Retained earnings		**6,474**	3,749	**2,039**	1,371
Total equity		**91,047**	88,318	**86,612**	85,940

The notes on pages 46 to 78 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and were signed on its behalf by:

Gary Lamb
Director
12 May 2016

Danny Bakhshi
Director

consolidated statement of changes in equity

for the year ended 31 december 2015

	Note	Share capital £'000	Share premium £'000	Own shares £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2014		100	–	–	225	325
Total comprehensive profit for the year						
Profit for the year		–	–	–	5,716	5,716
Other comprehensive income		–	–	–	800	800
Total comprehensive profit for the year		–	–	–	6,516	6,516
Transactions with owners of the Group, recorded directly in equity						
Share-based payment transactions	22	–	–	–	731	731
Issue of shares	16	126	89,226	–	–	89,352
Own shares acquired in the period	16	–	–	–	–	–
Listing costs recognised in equity	4,16	–	(4,883)	–	–	(4,883)
Dividend paid	24	–	–	–	(3,723)	(3,723)
Total contributions by and distributions to the owners of the Group		126	84,343	–	(2,992)	81,477
Balance at 31 December 2014		226	84,343	–	3,749	88,318
Balance at 1 January 2015		**226**	**84,343**	**–**	**3,749**	**88,318**
Total comprehensive profit for the year						
Profit for the year		**–**	**–**	**–**	**16,553**	**16,553**
Other comprehensive (loss)		**–**	**–**	**–**	**(3,100)**	**(3,100)**
Total comprehensive profit for the year		**–**	**–**	**–**	**13,453**	**13,453**
Transactions with owners of the Group, recorded directly in equity						
Share-based payment transactions	22	**–**	**–**	**–**	**681**	**681**
Issue of shares	16	**–**	**4**	**–**	**–**	**4**
Dividend paid	24	**–**	**–**	**–**	**(11,409)**	**(11,409)**
Total contributions by and distributions to the owners of the Group		**–**	**4**	**–**	**(10,728)**	**(10,724)**
Balance at 31 December 2015		**226**	**84,347**	**–**	**6,474**	**91,047**

The notes on pages 46 to 78 form an integral part of these financial statements.

company statement of changes in equity

for the year ended 31 december 2015

	Note	Share capital £'000	Share premium £'000	Own shares £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2014		100	–	–	(1,932)	(1,832)
Total comprehensive profit for the year						
Profit for the year		–	–	–	6,295	6,295
Total comprehensive profit for the year		–	–	–	6,295	6,295
Transactions with the owners of the Company, recorded directly in equity						
Share-based payment transactions	22	–	–	–	731	731
Issue of shares	16	126	89,226	–	–	89,352
Own shares acquired in the period	16	–	–	–	–	–
Listing costs recognised in equity	4,16	–	(4,883)	–	–	(4,883)
Dividend paid	24	–	–	–	(3,723)	(3,723)
Total contributions by and distributions to the owners of the Company		126	84,343	–	(2,992)	81,477
Balance at 31 December 2014		226	84,343	–	1,371	85,940
Balance at 1 January 2015		**226**	**84,343**	**–**	**1,371**	**85,940**
Total comprehensive profit for the year						
Profit for the year		**–**	**–**	**–**	**11,396**	**11,396**
Total comprehensive profit for the year		**–**	**–**	**–**	**11,396**	**11,396**
Transactions with the owners of the Company, recorded directly in equity						
Share-based payment transactions	22	**–**	**–**	**–**	**681**	**681**
Issue of shares	16	**–**	**4**	**–**	**–**	**4**
Dividend paid	24	**–**	**–**	**–**	**(11,409)**	**(11,409)**
Total contributions by and distributions to the owners of the Company		**–**	**4**	**–**	**(10,728)**	**10,724**
Balance at 31 December 2015		**226**	**84,347**	**–**	**2,039**	**86,612**

The notes on pages 46 to 78 form an integral part of these financial statements.

consolidated statement of cash flows

for the year ended 31 december 2015

	Note	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Cash flows from operating activities					
Profit for the year			**16,553**		5,716
Adjustments for:					
Depreciation of property, plant and equipment	7	**8,886**		9,299	
Amortisation of intangibles	8	**193**		191	
Impairment of property, plant and equipment	4	**–**		592	
Profit on disposal of property, plant and equipment	7	**(50)**		(140)	
Pension (credit)	15	**–**		(6,000)	
Finance income	5	**(170)**		(72)	
Finance costs	5	**2,576**		8,437	
Listing expenses	4	**–**		7,991	
Net (profit)/loss on interest rate swaps	17(d)	**(334)**		1,299	
Equity-settled share-based payments transactions	22	**681**		256	
Pension contributions	15	**(1,200)**		(2,100)	
Changes in:					
Inventories	10	**200**		(251)	
Trade and other receivables	11	**(2,527)**		486	
Trade and other payables	14	**641**		1,318	
			8,896		21,306
Net cash generated from operating activities			**25,449**		27,022
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**228**		123	
Purchase of property, plant and equipment	7	**(10,116)**		(12,294)	
Government grants related to asset purchases	7	**–**		250	
Purchase of intangible assets	8	**(41)**		(345)	
Interest received	5	**70**		72	
Net cash used in investing activities			**(9,859)**		(12,194)
Cash flows from financing activities					
Proceeds on issue of shares	16	**4**		89,352	
Expenses incurred on issue of shares capitalised to equity	16	**–**		(4,883)	
Expenses incurred on issue of shares charged to profit or loss	4	**–**		(7,516)	
Proceeds from new borrowings	13	**–**		70,000	
Transaction costs related to loans and borrowings	13	**(438)**		(1,475)	
Repayment of borrowings	13	**(40)**		(121,081)	
Proceeds from settlement of interest rate swaps	17(d)	**–**		294	
Repayment of shareholder loans		**–**		(22,128)	
Interest paid		**(2,262)**		(12,018)	
Dividends paid	24	**(11,409)**		(3,723)	
Net cash used in financing activities			**(14,145)**		(13,178)
Net increase in cash and cash equivalents			**1,445**		1,650
Cash and cash equivalents brought forward			**15,156**		13,506
Cash and cash equivalents at 31 December	12		**16,601**		15,156

The notes on pages 46 to 78 form an integral part of these financial statements.

notes

forming part of the financial statements for the year ended 31 december 2015

1 Accounting policies

Manx Telecom plc ('the Company') is a company incorporated and domiciled in the Isle of Man in accordance with the Isle of Man Companies Act 2006. The Company, formerly Trafford Equityco Limited, changed its name on 3 February 2014.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as 'the Group'). The Parent Company financial statements present information about the Company as a separate entity.

The principal accounting policies adopted are set out below.

Basis of preparation

The consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'). The consolidated and Company financial statements have also been prepared in accordance with IFRSs adopted by the European Union. Where necessary, comparative figures have been adjusted to conform to changes in presentation for the current year.

Going concern

The consolidated financial statements have been prepared on the going concern basis. The Group is profit making, generating increased profit in both absolute terms and on a per share basis between 2014 and 2015 based on increased revenue in 2015, and is in a net asset and net current asset position. The Group has considerable financial resources, minimal liquidity risk and is operating within a sector that is experiencing relatively stable demand for its products.

The Group utilises secured lending facilities which require compliance with certain financial covenants. The Group has not breached any such financial covenants during the year or post year end and had significant headroom within its requirements at year end as detailed in note 13. Under the terms of the secured bank facility, the Group also has the ability to draw a further £10m of funding though currently has no intention of drawing on this facility.

Alongside the factors noted above, the Directors have considered the Group's forecasts and budgets, including cash flow forecasts, together with reasonably possible risk sensitivity analysis. The Directors are satisfied that the forecasts, alongside the Group's current and undrawn lending facilities, show that the Group will continue to be able to meet cash funding requirements as they fall due and operate for the foreseeable future.

Accordingly, after making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

1.2 Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company has the power over the investee, is exposed to, or has rights, to variable return from its involvement with the investee and has the ability to use its power to affect its returns. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. The investments in subsidiaries are held at cost.

1.3 Foreign currency

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentational currency for the consolidated financial statements.

1 Accounting policies continued

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, amounts due to/from Group and related companies, loans and borrowings, and trade and other payables.

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement.

The Group initially recognises financial assets such as loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset.

The Group initially recognises financial liabilities such as payables and liabilities designated at fair value through profit or loss on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when, and only when, the Group's obligations are discharged, cancelled or they expire. Any interest in transferred financial liabilities that is created or retained by the Group is recognised as a separate liability.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payments within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs for the asset or liability that are not based on observable market data

1 Accounting policies continued

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets subject to an insignificant risk of changes in their fair value and which are used by the Group in the management of short-term commitments.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Changes in expected cash flows due to changes in applicable interest rates will be accounted for through an adjustment of the carrying amount of the liability using the original effective interest rate.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Groups accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Own shares

Own shares represent shares in the Company held by the Group employee benefit trust and are recorded at cost deducted from equity. When shares vest unconditionally or are cancelled they are transferred from the own shares reserve to retained earnings at their weighted average cost. Other assets and liabilities of the employee benefit trust are consolidated within the assets of the Group.

1.5 Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate risk. Further details of derivative financial instruments are disclosed in note 17(d). Derivative financial instruments are recognised at fair value and classified as held for trading. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities. Any interest expense arising on derivative financial instruments is recognised separately from the fair value movement and is included in finance costs in the statement of comprehensive income.

1.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and accumulated impairment losses except for land and buildings which have been revalued to fair value. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any gain arising on the remeasurement of land and buildings is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve. The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation. Depreciation on revalued land and buildings is charged to the statement of comprehensive income.

1 Accounting policies continued

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Property, plant and equipment in the course of construction are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is provided on property, plant and equipment from the date they are brought into use, in equal instalments over their estimated useful lives. The lives assigned to property, plant and equipment are:

Facilities (including property)	40 years
Network assets	5 to 20 years
Plant and machinery	4 to 10 years
Computers, software and office equipment	3 to 10 years
Motor vehicles	7 years

The estimated useful economic lives, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

No depreciation is provided on freehold land or assets in course of construction. Assets in the course of construction are carried at cost, less any recognised impairment loss. Depreciation of assets in the course of construction commences when the assets are ready for their intended use.

Where there is evidence of impairment, fixed assets are written down to recoverable amounts. Any such write down is charged to operating profit as an impairment loss and separately disclosed if material.

Assets held under finance leases are depreciated over the shorter of their expected useful economic lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised within the statement of comprehensive income. When revalued assets are sold, the amounts included within the revaluation reserve are transferred to retained earnings.

1.7 Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment by completing a goodwill assessment at the reporting date, or more frequently when there is an indication that the unit may be impaired. An impairment loss recognised for goodwill is not reversed in a subsequent period. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Other intangible assets

Software

Non-current assets which incorporate both tangible and intangible elements are assessed to determine whether they should be classed as an intangible asset or as property, plant and equipment. The treatment is determined by an assessment of which element is more significant.

Acquired software is capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over their estimated useful lives of three to five years. Amortisation is charged to cost of sales in the statement of comprehensive income on a straight-line basis.

Domain names

Domain names are not amortised but are assessed for impairment on an annual basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

1 Accounting policies continued

1.8 Inventories

Inventories mainly comprise items of equipment held for sale or rental and consumable items. They are stated at the lower of cost, including appropriate overheads, and estimated net realisable value. Where necessary, provision is made for obsolete, slow moving and defective inventories. Inventories are shown net of any provisions made. Cost is calculated using the first-in-first-out method.

1.9 Impairment excluding inventories

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit'). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ('CGUs') where appropriate.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.10 Employee benefits

Employee benefits – pension obligations

The Group operates two pension arrangements. The Manx Telecom Trading Limited (formerly Manx Telecom Limited (see note 9) Combined Pension Scheme is a defined benefit scheme and the Manx Telecom Employee Retirement Plan is a defined contribution plan.

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

1 Accounting policies continued

For the defined contribution plan, the Group pays fixed contributions to a privately administered pension plan on behalf of employees. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit scheme is a pension scheme that sets the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Remeasurements of the net defined benefit asset/liability comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled.

Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

– Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
– Net interest expense or income.
– Remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item 'Administrative expenses'. Curtailment gains and losses are accounted for as past service costs. Net interest expense or income is recognised within finance costs (see note 5).

The asset or liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the period end date less the fair value of plan assets. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the scheme or reductions in future contributions to the scheme.

The assets of the schemes are held independently of the Group's finances.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the equity instruments that will eventually vest. Fair value is measured using either a Black-Scholes or Monte Carlo method, whichever is most appropriate to the share-based payment arrangement.

At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

1 Accounting policies continued
Awards that lapse or are forfeited result in a credit to the income statement (reversing all previously recognised charges) in the year in which they lapse or are forfeited. SAYE share options granted to employees are treated as cancelled when employees cease to contribute to the scheme. This results in accelerated recognition of the expenses that would have arisen over the remainder of the original vesting period.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

1.11 Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

1.12 Revenue
Revenue comprises of the value of services provided, equipment sales and other revenue. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised on a gross basis where the Group's role is that of principal in a transaction. The gross basis represents the gross value of the billing to the customer after trade discounts, with any related costs being charged to operating expenses. Where the Group acts as agent in a transaction, the net revenue earned is recognised as revenue.

Revenue from telecommunications services which include mobile, fixed line, broadband and data services provided to customers is recognised once the service is provided over the Group's network regardless of whether the customer pays in advance or is billed in arrears. Prepayments made by customers are recorded in deferred income and recognised in revenue as and when usage occurs.

Inbound roaming revenue, earned from other mobile operators whose customers roam onto the Group's network, and outbound roaming revenue, earned from customers roaming outside their domestic coverage area, is recognised upon usage.

Subscription fees are recognised evenly throughout the periods to which they relate. Hardware revenue principally consists of revenue from the sale of wireless mobile devices. The revenue associated with the sale of wireless handsets and accessories is recognised when the products are delivered and accepted by the customer. The amount of revenue recognised is the value of the cash received from the sale.

In revenue arrangements including more than one deliverable, the arrangements are divided into separate units of accounting. Deliverables are considered separate units of accounting if the following two conditions are met: (1) the deliverable has value to the customer on a stand-alone basis and (2) there is evidence of the fair value of the item. The arrangement consideration is allocated to each separate unit of accounting based on its relative fair value.

Revenue from data centre services which include co-location, managed hosting, cloud and disaster recovery services is recognised on a straight-line basis over the term of the contract. Power usage is recognised as the power is used by the customer. When services are required before related colocation services can be provided, these are recognised as they are provided.

Other revenue comprises managed services and equipment sales. All revenue is recognised when the goods and services have been provided and accepted by the customer. The value recognised for equipment sales is the value of the cash received from the sale. Managed service revenues are recognised in the period to which the services relate.

1.13 Expenses
Operating expenses
Operating expenses are recognised on an accruals basis.

Operating lease payments
Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals under operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1 Accounting policies continued

Finance lease payments

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing income and expenses

Financing expenses comprise interest payable, loan repayment fee costs, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see note 1.3).

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use are capitalised as part of the cost of that asset. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Loan arrangement fees are capitalised and amortised over the loan term.

Finance income comprises interest receivable on funds invested, dividend income, and net foreign exchange gains. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.14 New currently effective requirements and forthcoming requirements

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements.

IAS 19	Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
	Annual Improvements 2010-2012 cycle
	Annual Improvements 2011-2013 cycle

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

	Amendments/improvements	Effective date (applicable to annual periods beginning on or after stated date)
IFRS 9	Financial Instruments	1 January 2018
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
	Annual Improvements 2012-2014 Cycle	1 January 2016
IFRS 10, IFRS 12 & IAS 28	Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
IAS 1	Disclosure Initiative (Amendments to IAS 1)	1 January 2016
IAS 16 & IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016
IAS 27	Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017
IAS 7	Disclosure Initiative (Amendments to IAS 7)	1 January 2017

1 Accounting policies continued

The Directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods, except as that IFRS 9 will impact both the measurement and disclosure of Financial Instruments, and as that IFRS 15 may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

1.15 Government grants

Government grants are recognised where there is a reasonable assurance that the grant will be received and all attached conditions complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, it is recognised as a reduction in the carrying amount of the asset. The grant is then recognised as income over the useful life of a depreciable asset by way of a reduced depreciation charge.

1.16 Subscriber acquisition costs

Subscriber acquisition costs, which include the commission costs associated with acquiring new subscribers and other incremental costs of customer acquisition, are charged to the statement of comprehensive income as incurred.

1.17 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Management consider the key estimates and judgements used in the preparation of these financial statements to be:

- Pension scheme assumptions used in the actuarial valuation prepared by independent actuaries Towers Watson for the financial year ended 31 December 2015 (and 31 December 2014). During 2011 the Isle of Man Government confirmed the use of CPI as the base index for pension scheme increases where the scheme provisions make direct reference to UK (as opposed to Isle of Man) statutory pension increase provisions. After taking legal advice, the trustees made the decision to reference CPI for pension increases in deferment for all sections, reference CPI for A/B section pension increases and reference RPI for section C pension increases. The Group's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded.
- Recoverability of receivables (for further details on credit risk related to trade receivables see note 17(b), for details of provisions in respect of doubtful debts see note 11).
- Useful lives for property, plant and equipment. Property, plant and equipment represents 34% (2014: 35%) of the Group's total assets; estimates and assumptions made regarding their useful economic lives may have a material impact on their carrying value and related depreciation charge. The depreciation charge for an asset is derived using estimates of its useful economic life and expected residual value, which are reviewed annually and changed when necessary to reflect current thinking on the remaining lives in light of technological change, network investment plans and the condition of the assets concerned.
- Impairment of goodwill. The Group has only one cash generating unit to which goodwill has been allocated, the investment in Manx Telecom Trading Limited. The recoverable amount of the investment in Manx Telecom Trading Limited has been determined based on an estimate of the fair value of Manx Telecom Trading Limited less costs of disposal. The key assumptions and estimates used in performing the annual impairment review are disclosed in note 3.
- A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities. Further information about the fair value assumptions are included in the following notes:
- Note 7 – Property, plant and equipment.
- Note 17 – Financial instruments (derivative financial instruments).
- Note 22 – Share-based payment.

2 Operating segments

The Group has five reportable revenue segments which management report on and base their strategic decisions on:

	Group 2015 £'000	Group 2014 £'000
Fixed line, broadband and data	**32,027**	31,338
Mobile	**20,058**	18,357
Global solutions	**14,122**	16,669
Data centre	**7,951**	6,607
Other	**5,440**	6,283
	79,598	79,254

The segmental analysis shows revenue classified according to market source. However, the Group is not structured on a divisional basis and has functional departments, processes, assets and obligations which serve each of these revenue streams. These are not allocated in the financial reports received by the Board and its decisions are not routinely based on any such identification. Consequently the analysis shown above does not extend to any segmentation of profits and net assets.

There is no inter-segmental trading.

The products and services included within each of the five segments are as follows:

Fixed line, broadband and data includes revenues from ADSL and VDSL rental and connection charges, fixed line call charges, fixed line rental and connection charges, and private circuit rental and connection charges.

Mobile includes revenues from mobile calls, SMS and data charges, mobile rental charges, mobile handset and accessory sales, and roaming.

Global solutions includes revenues from mobile termination, products such as Chameleon, strongest signal mobile and M2M (machine to machine).

Data centre includes revenues from hosting services provided.

Other includes kit sales, directory revenues and managed service rental charges.

3 Goodwill – Group

Cost	£'000
Balance at 1 January 2014	84,277
Additions during the year	–
Balance at 31 December 2014	84,277
Additions during the year	**–**
Balance at 31 December 2015	**84,277**

Carrying amount	
As at 31 December 2015	**84,277**
As at 31 December 2014	84,277

On 29 June 2010, the Group acquired all of the ordinary shares in Manx Telecom Trading Limited (previously Manx Telecom Limited) for £133,800,000 satisfied in cash.

Goodwill is deemed to have an indefinite life and so is not subject to amortisation. An impairment review was undertaken as at the reporting date to determine whether any impairment has occurred. Upon review, the Board deemed that no impairment was necessary (2014: nil).

3 Goodwill – Group continued

The cash-generating unit to which goodwill has been allocated is the operations of Manx Telecom Trading Limited in its entirety due to the structure of the Company, which operates as one telecommunications business. Goodwill is considered to be impaired if the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is considered to be the higher of its fair less costs of disposal and its value in use. The Group has performed its impairment review based on an assessment of the fair value less costs of disposal.

In 2015, the fair value less costs of disposal of Manx Telecom Trading Limited has been determined on a market approach by reference to the enterprise value of Manx Telecom plc, based on the market capitalisation of Manx Telecom plc as at 31 December 2015 (using the year end share price and shares in issue) plus debt. The enterprise value of Manx Telecom plc is considered to provide a comparable value to that of Manx Telecom Trading Limited as all the revenue generating operations of the Group are contained within Manx Telecom Trading Limited. Using this methodology fair value less costs to sell were considered to be higher than the total asset value (less goodwill), therefore no impairment was required. Management also performed an assessment of the fair value determined based on an income approach, using cash flows projected over a 20-year period, a growth rate of 1% per annum and an 8% discount rate. This approach also indicated that there was no impairment of goodwill. In 2014, the impairment review took the same approach which also indicated that there was no impairment of goodwill.

4 Operating profit

The operating profit is stated after charging the following:

	2015 £'000	2014 £'000
Staff costs	**14,670**	15,142
Depreciation of property, plant and equipment – owned assets	**8,886**	9,299
Amortisation of software licences – intangibles	**193**	191
Impairment of property, plant and equipment	**–**	592
Net operating lease rentals payable – property	**254**	186
Trade receivables impairment	**723**	403
Audit services – statutory audit	**106**	158
– non-audit service fees	**12**	94

Listing costs incurred as a result of the Admission to AIM in 2014 and refinancing costs relating to the Admission were charged to equity, profit or loss or capitalised as set out below:

	2015 £'000	2014 £'000
Listing costs charged to profit or loss (see below)	**–**	7,991
Listing costs presented in equity (see note 16)	**–**	4,883
Transaction costs capitalised (see note 13)	**–**	1,475
	–	14,349

Listing costs were recognised as a reduction to share premium within equity to the extent that they related to the newly issued shares. All other costs that did not qualify for recognition in equity were recognised in financial expenses in profit or loss. The borrowing costs capitalised are detailed in note 13.

Non-GAAP measures

The adjustments made to reported profit before tax and operating profit are income and charges that are one-off in nature, significant and distort the Group's underlying performance. No such adjustments have been made in respect of the year ended 31 December 2015. For the year ended 31 December 2014 these adjustments included:

- Impairment of equipment. Following the implementation of 4G which was completed during 2014, the Group made impairments of equipment used to provide mobile prepaid services and fixed voice network equipment, resulting in an expense of £592,000.
- Refinancing costs. As a result of the refinancing described in note 13, net realised and unrealised losses of £291,000 were incurred in exiting the interest rate swap held in connection with the prior financing arrangements, which is not considered a regular finance cost to the Group.
- Listing expenses. On 10 February 2014, the Company was admitted to AIM. One-off listing costs charged to profit or loss in the period were £7,991,000, which include £475,000 in respect of share options which vested as a result of the admission to AIM.

4 Operating profit continued

- Pension scheme reorganisation. On 31 August 2014 the Manx Telecom Limited Combined Pension Scheme was closed to future accrual. In connection with the closure of the Manx Telecom Limited Combined Pension Scheme to future accrual, one-off expenses of £788,000 were incurred, including additional payments to members of the scheme of £666,000 and other related costs of £122,000. As a result of the changes made to the scheme, a one-off curtailment credit of £7,000,000 to past service cost was recorded. This credit arose from changes in actuarial assumptions regarding future salary increases, which are replaced with pension increases in deferment given the scheme is now closed to future accrual. See note 15 for further detail regarding pension schemes of the Group.
- Release of capitalised loan transaction costs. Due to the refinancing of the Group following Admission, unamortised transaction costs of £4,567,000 relating to prior financing arrangements were released to the statement of comprehensive income within finance expenses. See note 13 for further detail regarding lending arrangements of the Group.

5 Finance income and expense

Recognised in profit or loss

	2015 £'000	2014 £'000
Finance income		
Other interest receivable	**70**	72
Net interest on pension asset	**100**	–
	170	72
Finance costs		
Interest on shareholder loan notes	**–**	(330)
Interest on borrowings	**(2,256)**	(2,933)
Finance lease interest	**(6)**	(6)
Net interest on pension liabilities	**–**	(300)
Amortisation of loan transaction costs	**(314)**	(301)
Release of capitalised transaction costs	**–**	(4,567)
Refinancing costs	**–**	–
Total financial expense	**(2,576)**	(8,437)
Net total finance expense	**(2,406)**	(8,365)

Refinancing costs incurred as a result of refinancing in April 2013 of £5,239,115 were capitalised in 2013. The debt was subsequently repaid as a result of the Admission and refinancing in February 2014 (see note 13 for further information). The remaining unamortised financing costs of £4,567,000 were charged to the Consolidated Statement of Comprehensive Income in 2014.

A new debt arrangement entered into in 2014 (see note 13) incurred directly related expenses of £1,475,000 which were capitalised in accordance with IAS 39 and amortised over the period of the loan facility. In 2015, the terms of this debt arrangement were amended (see note 13), incurring additional directly related expenses of £437,000 which were capitalised. These expenses, together with the remaining unamortised element of the initial capitalised expenses, are being amortised over the amended loan term. Amortisation of £314,000 is included within financial expenses in the current year.

6 Taxation

The Company's profits are charged at the Isle of Man standard rate of 0% for 2015 (2014: 0%). Therefore no provision has been made for taxation for 2015 (2014: £nil). Whilst the Group is required to apply Isle of Man Retail Tax to Isle of Man retail activity, profits from this revenue stream are not substantial enough to meet the taxable threshold.

7 Property, plant and equipment – Group

	Land and buildings £'000	Plant and equipment £'000	Under construction £'000	Total £'000
Cost or valuation				
Balance at 1 January 2014	34,018	88,774	10,366	133,158
Additions	29	172	12,180	12,381
Transfer	3,248	10,688	(13,936)	–
Disposals	(588)	(9,777)	–	(10,365)
Impairment	–	–	–	–
Balance at 31 December 2014	36,707	89,857	8,610	135,174
Balance at 1 January 2015	**36,707**	**89,857**	**8,610**	**135,174**
Additions	**–**	**–**	**7,935**	**7,935**
Transfer	**1,960**	**8,383**	**(10,343)**	**–**
Disposals	**(500)**	**(7,248)**	**–**	**(7,748)**
Impairment	**–**	**–**	**–**	**–**
Balance at 31 December 2015	**38,167**	**90,992**	**6,202**	**135,361**
Depreciation and impairment				
Balance at 1 January 2014	9,068	61,468	–	70,536
Depreciation charge for the year	1,353	7,946	–	9,299
Disposals	(588)	(8,579)	–	(9,167)
Impairment	–	(592)	–	(592)
Balance at 31 December 2014	9,833	60,243	–	70,076
Balance at 1 January 2015	**9,833**	**60,243**	**–**	**70,076**
Depreciation charge for the year	**1,555**	**7,331**	**–**	**8,886**
Disposals	**(500)**	**(7,069)**	**–**	**(7,569)**
Impairment	**–**	**–**	**–**	**–**
Balance at 31 December 2015	**10,888**	**60,505**	**–**	**71,393**
Net book value at 31 December 2015	**27,279**	**30,487**	**6,202**	**63,968**
Net book value at 31 December 2014	26,874	29,614	8,610	65,098

A formal independent valuation of the four main properties was undertaken by Dean Wood Estate Agents on 17 December 2013. This confirmed that the net book value at 31 December 2013 was considered to be the same as the fair value of the land and buildings. The fair value of the freehold land and buildings was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

As at the end of the reporting period, the Group performed an assessment of the estimated fair value of land and buildings using the valuation techniques described above, which estimated that the fair value did not materially differ from the carrying value and as such a revaluation of the land and buildings was not required. There has been no change to the valuation techniques used during the year. A full, independent third party valuation was not undertaken as at 31 December 2014 or 31 December 2015 following the fair value estimates made by the Group.

The carrying value of land and buildings held by the Group under the revaluation model is the same as if it were held under the historical cost model.

7 Property, plant and equipment – Group continued

In 2014, following the implementation of 4G, the Group made impairments of certain equipment used to provide mobile prepaid services and fixed voice network equipment. No fixed asset impairments have been identified during 2015.

In 2015, the Group made a net profit on disposal of certain fixed assets of £50,000 (2014: £140,000).

During 2014, the Group received a grant of £250,000 towards the cost of construction of the Greenhill Data Centre, which in accordance with the Group's accounting policy was deducted from the cost of the asset. No such grants were received during 2015.

The accounting policies set out in note 1.6 are applicable to assets under construction and the capital commitments in respect of assets under construction are detailed in note 21.

Fair value hierarchy

The table below analyses land and buildings carried at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable (as described in the accounting policy in note 1.4.

31 December 2015	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Land and buildings	**–**	**–**	**27,279**	**27,279**

31 December 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Land and buildings	–	–	26,874	26,874

There were no transfers between levels during the current or prior years.

8 Intangible assets – Group

	Domain names £'000	Computer software £'000	Total £'000
Cost			
Balance at 1 January 2014	109	1,250	1,359
Additions	–	345	345
Balance at 31 December 2014	109	1,595	1,704
Balance at 1 January 2015	**109**	**1,595**	**1,704**
Additions	**–**	**41**	**41**
Balance at 31 December 2015	**109**	**1,636**	**1,745**
Amortisation and impairment			
Balance at 1 January 2014	–	(997)	(997)
Amortisation for the year	–	(191)	(191)
Balance at 31 December 2014	–	(1,188)	(1,188)
Balance at 1 January 2015	**–**	**(1,188)**	**(1,188)**
Amortisation for the year	**–**	**(193)**	**(193)**
Balance at 31 December 2015	**–**	**(1,381)**	**(1,381)**
Net book value at 31 December 2015	**109**	**255**	**364**
Net book value at 31 December 2014	109	407	516

The domain names were acquired on 1 March 2012. The Directors have considered the carrying value of the assets at 31 December 2015 and in their opinion there are no indicators of impairment as the revenue base is maintained.

9 Investments in subsidiaries – Company

The Company has the following investments in its subsidiaries:

Company	Holding	Principal activity	Country of incorporation and operation	Class of shares held	Ownership 2015	Ownership 2014
Trafford Shareholder Debtco Limited	Direct	Holding company	Isle of Man	Ordinary	100%	100%
Trafford Midco Limited	Indirect	Holding company	Isle of Man	Ordinary	100%	100%
Manx Telecom Holdings Limited	Indirect	Holding company	Isle of Man	Ordinary	100%	100%
Manx Telecom Trading Limited	Indirect	Telecommunications provider	Isle of Man	Ordinary	100%	100%

Manx Telecom Limited changed its name on 3 February 2014 to Manx Telecom Trading Limited.

During the current year, the investment by the Company in Trafford Shareholder Debtco Limited has increased by £681,000 (2014: £731,000) due to capital contributions made in respect of share-based payments to be settled in the equity instruments of the Company for services received by Manx Telecom Trading Limited, which resulted in capital contributions being made to subsidiaries throughout the Group structure.

10 Inventories – Group

	Group 2015 £'000	Group 2014 £'000
Raw materials and consumables	**84**	53
Work in progress	**32**	53
Finished goods	**478**	688
	594	794

11 Trade and other receivables – Group

	Group 2015 £'000	Group 2014 £'000
Amounts falling due within one year:		
Trade receivables	**9,315**	7,566
Less provisions for impairment of receivables	**(915)**	(720)
Trade receivable – net	**8,400**	6,846
Other receivables	**7,158**	6,335
Prepayments	**1,737**	1,294
Accrued income	**1,940**	2,233
	19,235	16,708

An analysis of the ageing of overdue trade receivables is disclosed in note 17(b). The movement in the trade receivables provision for doubtful debts during the year is as follows:

	£'000
Doubtful debt provision at 1 January 2014	**491**
Additions	229
Reductions/amount paid	–
Doubtful debt provision at 31 December 2014	**720**
Additions	195
Reductions/amount paid	–
Doubtful debt provision at 31 December 2015	**915**

Additions and reductions in the provision are recognised in administration costs within the Statement of Comprehensive Income.

12 Cash and cash equivalents – Group

	Group 2015 £'000	Group 2014 £'000
Bank balances	**4,801**	15,156
Call deposits	**11,800**	–
Cash and cash equivalents	**16,601**	15,156

13 Interest-bearing borrowings – Group

This note provides information about the contractual terms of the Group's interest-bearing bank loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and liquidity risk, see note 17.

	Group 2015 £'000	Group 2014 £'000
Non-current liabilities		
Finance lease liability	**93**	133
Secured bank loans	**68,692**	68,815
	68,785	68,948
Current liabilities		
Current portion of secured bank loans	**–**	–
	–	–

Terms and debt repayment schedule

	Currency	Nominal interest rate %	Date of maturity	Carrying amount 2015 £'000	Carrying amount 2014 £'000
Finance lease	GBP	2.92	31 July 2018	**93**	133
Revolving credit facility	GBP	1.50–3.00	30 June 2020	**70,000**	70,000
Unamortised finance costs	GBP			**(1,308)**	(1,185)
				68,785	68,948

In connection with the Admission on 10 February 2014, Manx Telecom Holdings Limited and Manx Telecom Trading Limited (previously Manx Telecom Limited) entered into an £80m revolving credit facility agreement on 3 February 2014 with Barclays Bank plc, Lloyds Bank plc and The Royal Bank of Scotland plc as arrangers and Lloyds Bank plc as agent and security agent ('the Facility Agreement').

The proceeds of the first drawdown under the Facility Agreement of £70m were used to (among other things) refinance the indebtedness existing at 31 December 2013 and to pay fees, costs and expenses in relation to the Admission process and the debt refinancing. Additional amounts may be drawn under the Facility Agreement for general corporate purposes and/or working capital purposes and the payment of fees, costs and expenses.

The loan is secured by way of a debenture in favour of the security agent providing a fixed and floating charge over certain of the Group's assets, including the shares of Manx Telecom Holdings Limited and Manx Telecom Trading Limited and property, plant and equipment of the Group.

The initial interest rate was the applicable interbank offer rate plus a margin of 2.5% p.a. and, from 30 June 2014, was subject to an adjustment to the margin ranging from 2.0% p.a. to 3.5% p.a. based on the ratio of total net debt to adjusted EBITDA. As at 31 December 2014, the margin applicable to the interest rate on the facility was 2%.

On 30 June 2015, the Group extended the term of the revolving credit facility agreement by a further two years from 30 June 2018 to 30 June 2020. In connection with the modification to the lending arrangements, the Group also negotiated a reduction in the applicable margin range from 2.0% p.a. to 3.5% p.a., to 1.5% p.a. to 3% p.a. As at 31 December 2015, the margin applicable to the interest rate on the facility was 1.5%. The amended terms of the lending arrangement were not considered to be substantially

13 Interest-bearing borrowings – Group continued

different from the original terms, as such the Group has not treated the modification as an extinguishment of the original financial liability and the recognition of a new liability, in line with its accounting policy (see note 1.4).

Transaction costs incurred as part of the debt financing are amortised over the period of the loan. Transaction costs of £1,475,000 were capitalised in 2014 and will be amortised over the loan period (as amended from 30 June 2015). Due to the refinancing in connection with the Admission in 2014, unamortised transaction costs of £4,567,000 relating to prior financing arrangements were released to the statement of comprehensive income within finance expenses during the year ended 31 December 2014. Transaction costs incurred due to amendment to the facility in 2015 of £438,000 were capitalised in the current year and these expenses, together with the remaining unamortised element of the initial capitalised expenses, will be amortised over the amended loan term.

To mitigate the Group's exposure to interest rate risk, the Group has entered into interest swap agreements. See note 17(d) for further details of the interest swap agreements.

Amounts drawn under the Facility Agreement are to be repaid on the last day of each applicable interest period unless the relevant borrower elects otherwise and amounts repaid will (subject to certain drawdown conditions) remain available for redrawing unless cancelled. The Facility Agreement will terminate and all amounts outstanding must be repaid on 30 June 2020.

The Facility Agreement also provides for the payment of a commitment fee, agency fee and arrangement fee and contains certain undertakings, guarantees and covenants (including financial covenants) and provides for certain events of default. During both the current and prior periods the Group has not breached any financial covenants contained within the Facility Agreement.

14 Trade and other payables – Group

	Group 2015 £'000	Group 2014 £'000
Current		
Trade payables	**8,696**	4,814
Other taxation and social security	**2,167**	3,837
Other payables	**530**	3,096
Accrued expenses	**9,560**	10,435
Deferred income	**3,980**	4,293
	24,933	26,475

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

15 Retirement benefit obligations – Group

The Group operates two pension schemes. The Manx Telecom Limited Combined Pension Scheme is a defined benefit scheme that is closed to new entrants and the Manx Telecom Employee Retirement Plan is a defined contribution plan.

Defined benefit plan

The Manx Telecom Limited Combined Pension Scheme ('the Scheme') provides benefits based on final pensionable salary. The assets of the Scheme are managed by independent Trustees and are held separately from those of the Group with a Legal & General managed portfolio and also with cash deposits.

The Isle of Man does not have minimum funding requirements. The only requirement is for a Schedule of Contributions, agreed between the Company and the Trustees, to be put in place after each actuarial valuation that is deemed by the Actuary to be sufficient to cover any shortfall revealed by the triennial actuarial valuation.

The contributions relating to the Scheme have been assessed in accordance with the advice of independent qualified actuaries and are funded by the Group. Independent actuarial valuations are carried out on a triennial basis by Towers Watson (formerly Watson Wyatt LLP), Actuaries and Consultants. The last such full valuation was carried out at 31 March 2013 and in accordance with IAS 19 the defined benefit liabilities have been measured using the 'projected unit method'.

The Group paid contributions of £1,200,000 (2014: £1,850,000) with employee contributions of £nil (2014: £250,000) to the Manx Telecom Combined Pension Scheme for the financial year ended 31 December 2015.

15 Retirement benefit obligations – Group continued

With effect from 1 October 2009 the Scheme changed to a career average revalued earnings basis for benefits earned from that date. Members had the option of choosing between a normal retirement age of 62 with an 8% employee contribution rate, or a normal retirement age of 65 with a 6% employee contribution rate. No changes were made to benefits earned before 1 October 2009. The scheme was closed to new entrants in 2002.

On 31 August 2014, the Manx Telecom Combined Pension Scheme closed to future accrual. Under the terms of the plan amendment to close the scheme to future accrual, participants in the scheme were provided with a choice of three options regarding transition to the Manx Telecom Employee Retirement Plan. In connection with this transition, one-off lump sum payments of £666,000 in total were made in respect of participants in the scheme and other costs of £122,000 were incurred. A credit of £7,000,000 in respect of past service arose from the closure of the scheme to future accrual. This credit arose from changes in actuarial assumptions regarding future salary increases, which were replaced with pension increases in deferment given the scheme was closed to future accrual. The assumed rate of pension increases in deferment was lower than the assumed rate of future salary increases, resulting in a credit for curtailments.

The actuarial valuation of the Manx Telecom Limited Combined Pension Scheme as at 31 March 2013 has been updated to 31 December 2015. Scheme assets are stated at fair value.

The main assumptions adopted for the Scheme under IAS 19 (per annum) are as follows:

	2015 %	2014 %
Nominal rate of increase for in-payment benefits	**2.15–2.95**	2.25–3.00
Nominal rate of increase for deferred benefits	**2.15**	2.25
Average longevity of a member at age 60 now (years) – males	**27.5**	27.4
Average longevity of a member at age 60 now (years) – females	**30.2**	30.0
Average longevity of a member at age 60 in 2029 – males	**29.4**	29.3
Average longevity of a member at age 60 in 2029 – females	**32.0**	31.9
Discount rate	**3.80**	3.90
Retail Price Index ('RPI')	**3.15**	3.25
Consumer Price Index ('CPI')	**2.15**	2.25
Rate of salary increase	**N/A**	N/A

During 2011 the Isle of Man Government confirmed the use of CPI as the base index for pension scheme increases where the scheme provisions make direct reference to UK (as opposed to Isle of Man) statutory pension increase provisions. After taking legal advice, the trustees made the decision to reference CPI for pension increases in deferment for all sections, reference CPI for A/B section pension increases and reference RPI for section C pension increases.

The risks associated with the actuarial assumptions include longevity, inflation, interest rate and market (investment) risks. The Scheme is not exposed to any unusual, entity or scheme specific risks.

Each year, the trustees of the scheme review the strategic investment policies of the scheme in terms of the risk and return profiles. The main strategic choices that are formulated are the asset mix. The scheme does not utilise annuities or swaps to manage risk in relation to asset-liability matching.

The Scheme holds a large proportion of equities which are expected to outperform bonds in the long term but give exposure to volatility and risk in the short term. The Trustees are responsible for investment strategy, and a reasonable proportion of equity investment is justified, given the time horizon of the Scheme and to provide a reasonable long-term return. If equities were to fall by 20%, the net pension asset would reduce by approximately £5,820,000 to become a liability of £5,420,000.

However, a fall in equity prices would be associated with a fall in the value of corporate bonds and a rise in corporate bond yields. The former would lead to a further reduction in scheme assets, just over £13,000,000 of which were invested in corporate bonds at 31 December 2015. However, the increase in corporate bond yields, which are used to determine the value of the defined benefit obligation, would lead to a reduction in liabilities which would partially or wholly offset the impact of the fall in asset values on the reported pension liability.

15 Retirement benefit obligations – Group continued

Sensitivity analysis on significant actuarial assumptions

The table below illustrates the impact on the financial statements that certain changes in the actuarial assumptions would have.

31 December 2015	Mortality – 1 year £'000	Discount rate +1% £'000	Inflation (including CPI and salary) +0.5% £'000	Real salary escalation +0.25% £'000	CPI inflation only +0.25% £'000
Balance sheet deficit	+2,100	–13,000	+7,300	N/A	+2,600
Net benefit expense	+100	–600	+300	N/A	+100
Service cost	N/A	N/A	N/A	N/A	N/A
Net interest cost	+100	–600	+300	N/A	+100

31 December 2014	Mortality – 1 year £'000	Discount rate +1% £'000	Inflation (including CPI and salary) +0.5% £'000	Real salary escalation +0.25% £'000	CPI inflation only +0.25% £'000
Balance sheet deficit	+1,800	–13,000	+7,000	N/A	+2,500
Net benefit expense	+100	–700	+300	N/A	+100
Service cost	N/A	N/A	N/A	N/A	N/A
Net interest cost	+100	–700	+300	N/A	+100

Changes are marked 'N/A' above as there would be no financial impact if the salary escalation assumption is varied given the Scheme is now closed to future accrual. Similarly, there will also be no financial impact on the service cost.

In presenting the sensitivity analysis above, the present value of the defined benefit obligation has been calculated using the projected unit method, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position. The sensitivity analysis was conducted by altering and measuring the impact each assumption had on the level of expected future cash flows and discounting back to the valuation data.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years with the exception of the method used for the inflation assumption, which is derived by applying the expected future cash flows onto the full inflation curve as at 31 December 2015, and an inflation risk premium adjustment of 0.15%. In previous years, the inflation assumption was derived from the Bank of England spot rate at the average duration of the Scheme, and an inflation risk premium adjustment of 0.15%. The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation, as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Extrapolation beyond the sensitivity figures shown may not be appropriate.

The amounts recognised in the statement of comprehensive income in respect of defined benefit obligation for the year ended 31 December 2015 are as follows:

	2015 £'000	2014 £'000
Analysis of the amount (credited)/charged to profit or loss:		
Current service cost	–	1,000
Past service cost	–	(7,000)
Net interest (income)/expense	**(100)**	300
Total (credited) in profit before tax	**(100)**	(5,700)

15 Retirement benefit obligations – Group continued

Analysis of the amount recognised in other comprehensive income:

	2015 £'000	2014 £'000
Actuarial loss due to liability experience	–	–
Actuarial loss due to liability assumption changes	**200**	5,900
Actuarial loss arising during the period	**200**	5,900
Return on Scheme assets less/(greater) than discount rate	**2,900**	(6,700)
Remeasurement effects recognised in other comprehensive income	**3,100**	(800)

The pension assets and liabilities recognised in the statement of financial position are as follows:

	2015 £'000	% of total fair value of scheme assets 31 Dec 2015 %	2014 £'000	% of total fair value of scheme assets 31 Dec 2014 %
Fair value of assets:				
– Equity instrument funds	**29,100**	38.7	29,800	39.1
– Debt instrument funds	**45,800**	61.0	46,200	60.5
– Cash and cash equivalents	**200**	0.3	300	0.4
Fair value of assets	**75,100**		76,300	
Present value of defined benefit obligations	**(74,700)**		(74,100)	
Net asset recognised in the balance sheet	**400**		2,200	
Deferred tax assets	**–**		–	
Net pension surplus	**400**		2,200	

Assets of the scheme are held within a Legal & General managed portfolio and are therefore indirectly invested in assets in quoted markets with active prices. The assets held directly with Legal & General are invested in Legal & General Funds for which regular quoted prices are readily available and for which transactions regularly occur and are classified as level 1 instruments in the fair value hierarchy (see note 1.4 for further information on the fair value hierarchy).

Analysis of the movement in the statement of financial position

Movements in the present value of defined benefit obligations in the current period were as follows:

	2015 £'000	2014 £'000
At start of year	**74,100**	73,200
Current service cost	**–**	1,000
Past service cost and gains and losses on settlements	**–**	(7,000)
Interest cost	**2,800**	3,400
Actuarial loss due to liability experience	**–**	–
Actuarial loss due to liability financial assumption changes	**200**	7,500
Actuarial loss due to liability demographic assumption changes	**–**	(1,600)
Benefits paid from scheme assets	**(2,400)**	(2,400)
At end of year	**74,700**	74,100

15 Retirement benefit obligations – Group continued

Movements in the fair value of scheme assets in the current and preceding year were as follows:

	2015 £'000	2014 £'000
At start of year	**76,300**	66,800
Interest income on scheme assets	**2,900**	3,100
Return on scheme assets (less)/greater than discount rate	**(2,900)**	6,700
Contributions from the employer	**1,200**	1,850
Contributions from plan participants	**–**	250
Benefits paid	**(2,400)**	(2,400)
At end of year	**75,100**	76,300

The defined benefit scheme's impact on the Group's future cash flows is affected by:

- Funding policy and arrangements – the Isle of Man does not have minimum funding requirements. A Schedule of Contributions is agreed between the Group and the Trustees and put in place following each successive actuarial valuation that is deemed by the actuary to be sufficient to cover any shortfall revealed by the triennial valuation.
- Contributions to the Scheme for the next annual reporting period – expected employer contributions for the year ended 31 December 2016 are £1,200,000 and expected benefit payments from Scheme assets are £2,100,000.
- Timing of benefit payments and duration of the defined benefit obligation – the weighted average duration of the defined benefit obligation is 22.5 years (2014: 23.5 years) and benefit payments are expected as set out in the below maturity profile.

Expected benefit payments during annual reporting period ended:	£'000
31 December 2016	2,100
31 December 2017	2,000
31 December 2018	2,200
31 December 2019	2,400
31 December 2020	2,400
31 December 2021 through 31 December 2025	14,500

Defined contribution plan

The Manx Telecom Employee Retirement Plan is a defined contribution pension scheme, which operates for employees who commenced employment after 1 July 2002. The assets of the Scheme are held separately from those of the Group in an Aviva administered pension plan. The total cost charged to the statement of comprehensive income for this plan during the period ended 31 December 2015 was £1,137,000 (year ended 31 December 2014: £396,000).

16 Capital – Company

Share capital

The Company's shares were admitted for trading on 10 February 2014. The table below sets out the amounts recorded in equity in respect of existing and newly issued shares (net of listing costs as detailed in note 4.

	Number of shares in issue (thousands)	Ordinary share capital £'000	Share premium £'000	Total £'000
Opening balance as at 1 January 2014	9,980	100	–	100
Share split	39,918	–	–	–
Proceeds from issue of new shares on Admission	62,924	126	89,226	89,352
Share-based payment	–	–	–	–
Shares issued to employee benefit trust	138	–	–	–
Listing costs (note 4)	–	–	(4,883)	(4,883)
At 31 December 2014	**112,961**	**226**	**84,343**	**84,569**
Opening balance as at 1 January 2015	112,961	226	84,343	84,569
Shares issued on exercise of SAYE share options (note 22)	3	–	4	4
At 31 December 2015	**112,964**	**226**	**84,347**	**84,573**

	2015 £'000	2014 £'000
Allotted, called up and subject to payment		
Ordinary shares of 112,963,001 @ 0.2p each (2014: ordinary shares of 112,959,787 @ 0.2p each)	**226**	226
	226	226

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank pari passu in all respects including voting rights and dividend entitlement.

During 2014, a share split was executed prior to the listing in the ratio of five shares for each existing share. The share split resulted in an additional 39,918,692 shares. Although the share split resulted in an increase in the number of shares in issue, there was no impact on the total value of issued share capital or reserves. 62,783,078 new shares were issued as part of the admission in 2014 and a further 70,422 shares were issued to both Kevin Walsh and Jeffrey Hume. The total new shares issued amounted to 62,923,922 generating total proceeds of £89,226,121.

On 2 December 2014, 137,500 new ordinary shares were issued and transferred to the Manx Telecom plc Share Incentive Plan Trust as part of an employee share scheme (see note 22 for further information).

The Company previously announced on 25 September 2014 that 1,000,000 new ordinary shares would be issued and transferred into an employee benefit trust from which shares would be granted to employees in 2014 and future years. The Board subsequently decided to only issue new shares in respect of awards currently due.

On 24 November 2015, the Company made a block listing application to the London Stock Exchange for admission of 30,000 ordinary shares of 0.2p each in the Company to trading on AIM. The shares will be issued from time to time pursuant to the exercise of share options under the Company's Save As You Earn share option scheme and will rank pari passu in all respects with the existing Ordinary Shares of the Company. On 10 December 2015, 3,214 shares were issued in respect of options exercised under this scheme.

See note 22 for further information regarding share-based payments which may impact the capital of the Company in future periods.

16 Capital – Company continued

Own shares

Own shares relate to shares in the Company held by the Group employee benefit trust, Manx Telecom plc Share Incentive Plan Trust.

	Number of shares in issue (thousands)	Ordinary share capital £'000
Opening balance as at 1 January 2014	–	–
Own shares issued	137,500	–
Share options vested	–	–
At 31 December 2014	**137,500**	–
Opening balance as at 1 January 2015	137,500	–
Own shares issued	–	–
Share options vested	(3,500)	–
At 31 December 2015	**134,000**	–

On 2 December 2014, 137,500 new ordinary shares were issued and transferred to the Manx Telecom plc Share Incentive Plan Trust for nil consideration. The shares are held for the benefit of employees of the Group in respect of the free share options granted under the Share Incentive Plan described in note 22. At the year end, the shares had a market value of £281,000 (2014: £242,000).

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may make dividend payments to shareholders, return capital to shareholders or issue new shares. The Group ensures that banking covenants are met as part of its capital management, see note 13 for further details of the Group's lending arrangements including covenant compliance.

Gearing ratio

The gearing ratio at the year end is as follows:

	2015 £'000	2014 £'000
Secured bank loans	**(68,692)**	(68,815)
Cash and cash equivalents	**16,601**	15,156
Net debt	**(52,091)**	(53,659)
Equity	**91,047**	88,280
Net debt to equity ratio	**0.57**	0.61

Debt is defined as long and short-term borrowings (excluding derivatives) as detailed in note 13. Equity includes all capital and reserves of the Group that are managed as capital.

17 Financial instruments

17(a) Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables, excluding construction contract debtors, is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

17 Financial instruments continued

Interest-bearing borrowings

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Derivative financial instruments

The fair value of interest rate swaps is based future cash flows, which are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates.

The fair values of all financial assets and financial liabilities by class, together with their carrying amounts shown in the consolidated statement of financial position, are as follows:

	Carrying amount 2015 £'000	Fair value 2015 £'000	Carrying amount 2014 £'000	Fair value 2014 £'000
Financial assets measured at amortised cost				
Cash and cash equivalents (note 12)	**16,601**	**16,601**	15,156	15,156
Trade and other receivables (note 11)	**19,235**	**19,235**	16,708	16,708
Financial assets designated as fair value through profit or loss				
Derivatives (note 17d)	**103**	**103**	–	–
Total financial assets	**35,939**	**35,939**	31,864	31,864

	Carrying amount 2015 £'000	Fair value 2015 £'000	Carrying amount 2014 £'000	Fair value 2014 £'000
Financial liabilities measured at amortised cost				
Finance leases (note 13)	**93**	**93**	133	133
Other interest-bearing loans and borrowings (note 13)	**68,692**	**68,692**	68,815	68,815
Trade and other payables (note 14)	**24,933**	**24,933**	26,475	26,475
Financial liabilities designated as fair value through profit or loss				
Derivatives (note 17d)	**777**	**777**	1,008	1,008
Total financial liabilities	**94,495**	**94,495**	96,431	96,431

No financial assets or liabilities have been reclassified during the current or prior year.

Financial risk management

The Group's operations expose it to a variety of financial risks including credit risk, currency risk, interest rate risk and liquidity risk. The Group's overall risk management policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance and net assets.

The principal financial risks of the Group and how the Group manages these risks are discussed below.

17(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables due from customers and cash and cash equivalents.

Trade receivables are presented in the statement of financial position net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis using credit checks. The Group manages its exposure to credit risk on cash and cash equivalents by only placing its financial assets with reputable financial institutions with strong credit ratings.

17 Financial instruments continued

At the reporting date there were no significant concentrations of third party credit risk, with exposure spread over a large number of counterparties and customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position. The Group does not require collateral in respect of financial assets.

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at 31 December 2015 was £35,939,000 (2014: £31,864,000) being the total of the carrying amount of cash and cash equivalents, trade and other receivables and related party receivables.

The aging of trade receivables, including trade receivables past due but not impaired, is as follows:

			Overdue on the reporting date			
	Carrying amount £'000	Not overdue on the reporting date £'000	Less than 90 days £'000	Between 90 and 180 days £'000	Between 180 and 360 days £'000	Over 360 days £'000
Trade receivables as at 31 December 2015	**9,315**	**3,080**	**3,260**	**1,315**	**892**	**768**
Allowance for doubtful debts			**(211)**	**(120)**	**(219)**	**(365)**
Of which past due but not impaired			**3,049**	**1,195**	**673**	**403**

			Overdue on the reporting date			
	Carrying amount £'000	Not overdue on the reporting date £'000	Less than 90 days £'000	Between 90 and 180 days £'000	Between 180 and 360 days £'000	Over 360 days £'000
Trade receivables as at 31 December 2014	7,566	2,633	3,698	673	271	291
Allowance for doubtful debts			(163)	(173)	(158)	(226)
Of which past due but not impaired			3,535	500	113	65

For the debtors which are not impaired and which are overdue at the reporting date, there has been no indication that their payment obligations will not be met.

17(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash for the Group to meet its obligations. The Group aims to maintain appropriate liquidity through the regular monitoring of its actual and projected cash position. Mitigation of liquidity risk is also provided by the undrawn amount of £10,000,000 under the revolving credit facility described in note 13 and by the use of interest rate swaps to partially offset interest rate movements impacting variable rate loans and borrowings.

The following are the contractual maturities of non-derivative financial liabilities and financial instruments, including estimated interest payments (all cash flows are undiscounted and include both interest and principal cash flows).

2015	1 year or less £'000	1 to <2 years £'000	2 to <5 years £'000	5 years and over £'000	Total £'000	Carrying amount £'000
Non-derivative financial liabilities						
Finance leases	**46**	**44**	**16**	**–**	**106**	**93**
Secured bank loans	**1,462**	**1,462**	**73,656**	**–**	**76,580**	**68,692**
Trade and other payables	**24,933**	**–**	**–**	**–**	**24,933**	**24,933**
Derivative financial instruments						
Derivatives (note 17d)	**561**	**561**	**1,389**	**–**	**2,511**	**674**
	27,002	**2,067**	**75,061**	**–**	**104,130**	**94,392**

17 Financial instruments continued

2014	1 year or less £'000	1 to <2 years £'000	2 to <5 years £'000	5 years and over £'000	Total £'000	Carrying amount £'000
Non-derivative financial liabilities						
Finance leases	46	46	60	–	152	133
Secured bank loans	1,796	1,796	72,694	–	76,286	68,815
Trade and other payables	26,475	–	–	–	26,475	26,475
Derivative financial instruments						
Derivatives (note 17d)	573	573	859	–	2,005	1,008
	28,890	2,415	73,613	–	104,918	96,431

17(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments.

The Group incurs foreign currency risk on purchases that are denominated in currency other than sterling. However, the Group's exposure to currencies other than sterling is not considered to be material.

The Group's exposure to the risk of changes in market interest rates relates primarily to bank loans borrowed at floating interest rates. The terms of the bank loans and interest rates are disclosed in note 13.

Market risk – interest rate risk

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was:

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Variable rate financial instruments				
Financial assets	**14,378**	11,721	**–**	–
Financial liabilities	**(70,000)**	(70,000)	**–**	–
	(55,622)	(58,279)	**–**	–
Fixed rate financial instruments				
Financial liabilities	**–**	–	**–**	–
	(55,622)	(58,279)	**–**	–

The Group's exposure to interest rate risk is managed by the interest rate swaps entered into by the Group, under which the Group agrees to exchange floating interest rates for fixed interest rates on agreed notional principal amounts.

The Group held the following interest rate swaps as at 31 December 2015:

Bank	Interest rate %	Expiry date	Notional amount £'000	Fair value £'000
Royal Bank of Scotland PLC	1.711	29/06/2018	25,000	(389)
Lloyds Bank PLC	1.711	29/06/2018	25,000	(388)
Lloyds Bank PLC	1.698	30/06/2020	50,000	103
				(674)

17 Financial instruments continued

The Group held the following interest rate swaps as at 31 December 2014:

Bank	Interest rate %	Expiry date	Notional amount £'000	Fair value £'000
Royal Bank of Scotland PLC	1.711	29/06/2018	25,000	(504)
Lloyds Bank PLC	1.711	29/06/2018	25,000	(504)
				(1,008)

The net movement in unrealised gains/(losses) on interest rate swaps in the year gives rise to a gain of £334,000 in the current year (2014: loss of £1,593,000). As a result of the refinancing in 2014 described in note 13, realised gains of £294,000 were recognised in the year ended 31 December 2014 from exiting an interest rate swap held at 31 December 2013.

Sensitivity analysis

If interest rates had been 100 basis points higher, the Group's profit for the year ended 31 December 2015 would have increased by £1,875,000 (2014: increase £1,411,000). If interest rates had been 100 basis points lower, the Group's profit for the year ended 31 December 2014 would have decreased by £1,875,000 (2014: decrease £1,411,000). This calculation assumes that the change occurred across the whole period and had been applied to risk exposures existing at the year end which were either not fixed or had not been mitigated by interest rate swaps.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates and financial instruments at fair value through profit or loss (the fixed rate element of interest rate swaps).

Fair value hierarchy

The table below analyses financial instruments carried at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable (as described in the accounting policy in note 1.4). Interest rate swaps are valued using discounted cash flows, under which future cash flows are estimated based on forward interest rate yields (from observable yield curves at the end of the reporting period) and contract interest rates.

31 December 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets	**–**	**103**	**–**	**103**
Financial liabilities	**–**	**(777)**	**–**	**(777)**

31 December 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets	–	–	–	–
Financial liabilities	–	(1,008)	–	(1,008)

There were no transfers between levels during the current or prior years.

18 Operating leases

During the year, the following lease payments under operating leases were recognised as expenses in the year:

	2015 £'000	2014 £'000
Property operating lease payments	**254**	190
Site sharing operating lease payments	**342**	385

Sublease income of £21,000 (2014: £4,000) was recognised within income in the year.

18 Operating leases continued

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable land and buildings operating leases which fall due as follows:

	2015 £'000	2014 £'000
Not later than one year	**428**	392
Later than one year not later than five years	**1,352**	1,256
Expiring in more than five years	**626**	1,290

The Group leases various offices, shops, vehicles and mast sites under non-cancellable operating lease agreements. These leases have various terms and renewal rights.

At the balance sheet date, the Group had contracted with tenants for the following future minimum sublease payments:

	2015 £'000	2014 £'000
Not later than one year	**6**	4
Later than one year not later than five years	**16**	15
Expiring in more than five years	**64**	66

19 Related parties – Group and Company

The compensation of key management personnel including the Directors is as follows:

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Salaries and short-term employee benefits	**1,786**	1,676	**–**	–
Share-based payments	**483**	646	**–**	–
Post-employment benefits	**85**	112	**–**	–
	2,354	2,434	**–**	–

During the year, Mike Dee retired from his position as Chief Executive Officer of the Company, with no additional payments outside the remuneration policy on his retirement. Further information about the remuneration and shareholdings of individual Directors is provided in the Directors' Remuneration Report on page 33. Dividends of £129,000 were paid in the year in respect of ordinary shares held by the Company's Directors.

During the year, the Company appointed Paul Tierney as interim Chief Financial Officer. Compensation of £119,000 was paid to Gransha Enterprises Limited in respect of services received during 2015.

Other related party transactions – Company

Related party	Relationship	Receivables outstanding 2015 £'000	Payables outstanding 2015 £'000	Receivables outstanding 2014 £'000	Payables outstanding 2014 £'000
Trafford Shareholder Debtco Limited	Direct subsidiary	**24,772**	**100**	13,363	100
Manx Telecom Trading Limited (formerly Manx Telecom Limited)	Indirect subsidiary	**69,864**	**7,437**	73,845	–
Manx Telecom Holdings Limited	Indirect subsidiary	**–**	**2,000**	–	2,000
Shareholders	Shareholders	**–**	**–**	–	–
		94,636	**9,537**	87,208	2,100

Intercompany balances arise through the capital management of the Group, as capital and financial resources are raised and deployed through the Group as required. The intercompany loans are unsecured, repayable on demand and non-interest bearing. No provisions have been made for doubtful debts in respect of amounts owed by related parties.

20 Ultimate Parent Company and Parent Company

During the prior year, Manx Telecom plc (formerly Trafford Equityco Limited) was admitted to trade its shares on AIM. Subsequent to admission to AIM, there is not considered to be any ultimate Parent Company.

21 Capital and other financial commitments

	2015 £'000	2014 £'000
Contracts placed for future capital expenditure relating to property, plant and equipment	**1,340**	2,536

22 Share-based payment

Following the Admission in 2014, the Company created three new share-based payment arrangements in 2014. In 2015, the Company has created a further three new schemes. The arrangements may be operated in conjunction with an employee benefit trust established by the Company. Any such employee benefit trust may be used to hold shares for the purposes of these share plans or other employee share schemes established by the Company from time to time.

Equity-settled share-based payments

The total expense in respect of equity-settled share-based payments for the year ended 31 December 2015 was £681,000 (2014: £731,000).

Equity-settled share option schemes which operated during the current and prior year are described in detail below. Details of the share options outstanding during the year are as follows:

2015	Outstanding at the beginning of the year	Granted during the year	Forfeited during the year	Exercised during the year	Expired during the year	Outstanding at the end of the year	Exercisable at the end of the year
Co-investment plan – number of shares	**852,387**	**–**	**(96,037)**	**–**	**–**	**756,350**	**–**
Co-investment plan – weighted average exercise price (£ per share)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Save as you earn – number of shares	**1,287,312**	**–**	**(111,423)**	**(3,214)**	**–**	**1,172,675**	**13,571**
Save as you earn – weighted average exercise price (£ per share)	**1.40**	**–**	**1.40**	**1.40**	**–**	**1.40**	**1.40**
Share incentive plan – number of shares	**137,500**	**–**	**(8,000)**	**(3,500)**	**–**	**126,000**	**–**
Share incentive plan – weighted average exercise price (£ per share)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Long-term incentive plan – number of shares	**–**	**288,532**	**–**	**–**	**–**	**288,532**	**–**
Long-term incentive plan – weighted average exercise price (£ per share)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Shadow save as you earn – number of shares	**–**	**18,000**	**–**	**–**	**–**	**18,000**	**–**
Shadow save as you earn – weighted average exercise price (£ per share)	**–**	**1.40**	**–**	**–**	**–**	**1.40**	**–**

2014	Outstanding at the beginning of the year	Granted during the year	Forfeited during the year	Exercised during the year	Expired during the year	Outstanding at the end of the year	Exercisable at the end of the year
Pre-listing share options – number of shares	490,000	–	–	(490,000)	–	–	–
Pre-listing share options – weighted average exercise price (£ per share)	0.01	–	–	0.01	–	–	–
Co-investment plan – number of shares	–	914,887	(62,500)	–	–	852,387	–
Co-investment plan – weighted average exercise price (£ per share)	–	–	–	–	–	–	–
Save as you earn – number of shares	–	1,287,312	–	–	–	1,287,312	–
Save as you earn – weighted average exercise price (£ per share)	–	1.40	–	–	–	1.40	–
Share incentive plan – number of shares	–	137,500	–	–	–	137,500	–
Share incentive plan – weighted average exercise price (£ per share)	–	–	–	–	–	–	–

22 Share-based payment continued

Co-investment plan ('CIP')

Under the CIP established in connection with the Admission, on 10 February 2014 the Executive Directors of the Company received a total of 538,114 conditionally awarded shares and other Directors of Manx Telecom Trading Ltd (classified under IAS 24 as 'Key Management') received a total of 376,773 conditionally awarded shares, in both cases on the basis of a matching award of one share for every two invested shares then held by them. Such matching shares will only vest to the extent that the individual remains employed by the Group and that invested shares remain held by the participant on 10 February 2017, and are also subject to satisfaction of a three-year relative Total Shareholder Return performance condition.

On 9 February 2015, the terms of the three-year relative Total Shareholder Return performance condition were modified, to align the opening share price to the IPO placed at £1.42p per share. This will give rise to a total additional expense of £180,000 over the vesting period. On 4 June 2015, the service conditions of the award previously made to Mike Dee as Chief Executive Officer were modified such that the total award reduced by one third as a consequence of his retirement, whilst retaining the existing performance conditions. Further information is provided in the Directors' Remuneration Report on page 37.

The estimated fair value of options granted in the year was £1.38 per share (2014: £0.93 per share). The aggregate of the estimated fair value of the options granted in the year under the CIP was £49,000 (2014: £859,000). Due to the modification of the awards and forfeiture of awards in the year, the total estimated fair value of the options outstanding to be recognised on a straight-line basis over the vesting period is £865,000 (2014: £800,000). The fair value has been estimated using a Monte Carlo method, the inputs for which are detailed below.

The total expense recognised by the Group in respect of the CIP for the year ended 31 December 2015 was £365,000 (2014: £238,000). As at 31 December 2015, the CIP awards had a weighted average remaining contractual life of 1.11 years (2014: 2.11 years).

Long-term incentive plan ('LTIP')

In 2015 the Group established an LTIP for Key Management of the Group. On 11 May 2015, 288,532 share awards were granted under the plan. Executive Directors of the Company received a total of 95,576 share awards. The share awards will only vest to the extent that the individual remains employed by the Group on 10 May 2018, and are also subject to the Group results satisfying three-year cumulative non-market performance conditions.

The estimated fair value of options granted in the year was £1.905 per share. The aggregate of the estimated fair value of the options granted in the year under the LTIP was £550,000 which will be recognised on a straight-line basis over the vesting period. The fair value has been estimated using a Black-Scholes method, the inputs for which are detailed below.

The total expense recognised by the Group in respect of the LTIP for the year ended 31 December 2015 was £118,000. As at 31 December 2015, the LTIP awards had a weighted average remaining contractual life of 2.36 years.

Save as you earn ('SAYE')

In October 2014, the Group established a SAYE scheme for employees of the Group based in the Isle of Man. The scheme was open for a limited period only during the year and permits the granting of options to Isle of Man resident employees of the Group linked to a bank SAYE contract for a term of three years. Contributions from employees range from £10 to £500 per month. Options may be exercised at the end of the three year period at an exercise price of £1.40 per share if individuals continue to be employed by the Group at the maturity of the savings contract. The SAYE scheme contains provisions for 'good leavers' as defined in the SAYE scheme, which enable 'good leavers' to exercise options under the savings contract at the date the participate ceases to hold employment with the Group. The options must be exercised within six months of the maturity of the savings contract, otherwise they lapse and savings are returned to employees.

On 1 December 2014, 1,287,312 share options were granted under the scheme. During 2015, 3,214 shares options were exercised under good leaver provisions. At 31 December 2015 the options had a weighted average remaining contractual life of 1.92 years (2014: 2.92 years).

The estimated fair value of options granted in 2014 was £0.35 per share. The aggregate of the initial estimated fair value of the options granted in 2014 under the SAYE scheme was £422,000, due to forfeiture of awards in 2015 the revised estimate at 31 December 2015 is £369,000, which will be recognised on a straight-line basis over the vesting period (subject to further revisions for the estimated number of shares expected to vest and cancellations). The fair value has been estimated using a Black-Scholes method, the inputs for which are detailed below.

The total expense recognised by the Group in respect of the SAYE scheme for the year ended 31 December 2015 was £122,000 (2014: £12,000).

22 Share-based payment continued

An equivalent share option scheme for non-Isle of Man resident employees was established in 2015, see below.

Shadow save as you earn ('Shadow SAYE')

In 2015 the Group established a Shadow SAYE for employees of the Group based in the United Kingdom. The Shadow SAYE mirrors the terms of the SAYE. On 1 February 2015, 18,000 share options were granted. The estimated fair value of options granted was £0.387 per share. The fair value has been estimated using a Black-Scholes method, the inputs for which are detailed below. At 31 December 2015 the options had a weighted average remaining contractual life of 2.08 years. The aggregate of the initial estimated fair value of the options granted in 2014 under the Shadow SAYE scheme was £7,000 which will be recognised on a straight-line basis over the vesting period.

The total expense recognised by the Group in respect of the Shadow SAYE scheme for the year ended 31 December 2015 was £2,000 (2014: £nil).

Share incentive plan ('SIP')

In October 2014, the Group established a SIP for employees of the Group based in the Isle of Man. Under the SIP, all permanent Isle of Man resident employees of the Group as at 17 October 2014 were invited to receive 500 free shares each. 275 employees accepted the offer, resulting in 137,500 share options being granted on 1 December 2014.

The shares granted were issued and transferred by the Company to the Manx Telecom plc Share Incentive Plan Trust for nil consideration. The Manx Telecom plc Share Incentive Plan Trust is an employee benefit trust established by the Company to hold shares awarded under the SIP for the benefit of employees of the Group.

Options granted under the SIP may be exercised on 30 November 2017 if individuals either continue to be employed by the Group at that date or are considered to be 'good leavers' as defined in the SIP, at which point shares will be released from the Manx Telecom plc Share Incentive Plan Trust to the employee. During 2015, 3,500 shares were exercised under good leaver provisions. At 31 December 2015 the options had a weighted average remaining contractual life of 1.92 years (2014: 2.92 years).

The estimated fair value of options granted in 2014 was £1.7675 per share. The aggregate of the estimated fair value of the options granted in 2014 under the SIP was £224,000, due to forfeiture of awards in 2015 the revised estimate at 31 December 2015 is £205,000, which will be recognised on a straight-line basis over the vesting period (subject to revisions for the estimated number of shares expected to vest). The fair value has been estimated using a Black-Scholes method, the inputs for which are detailed below.

The total expense recognised by the Group in respect of the SIP for the year ended 31 December 2015 was £74,000 (2014: £6,000).

An equivalent cash settled share option scheme for non-Isle of Man resident employees has been established in 2015, see below.

Pre-listing share options

Subsequent to the acquisition of Manx Telecom Trading Limited by Hg Capital LLP in 2010, key management and employees were given the option to purchase ordinary shares in the Company at nominal value. The shares were recorded at the grant date fair value with the expense being recognised on a straight-line basis over the estimated vesting period.

In order for the shares to vest unconditionally, a sale or listing of the Group was required and the employee must have remained employed or be considered as a 'good leaver'. The shares awarded were subject to a number of conditions, including restrictions on the transfer of the shares prior to a sale or listing of the Group. The vesting period was previously estimated to be the period from date of grant to June 2015, being the latest date by which the shares were expected to vest unconditionally.

The Company listed on AIM on 10 February 2014, and as a result the vesting conditions were met and the share options exercised. As such, recognition of the remaining expense was accelerated to the date of vesting such that all remaining expense was recognised in 2014. The total expense recognised by the Group in respect of the pre-listing share options for the year ended 31 December 2014 was £475,000.

Cash-settled share-based payments

In 2015 the Group established a shadow share incentive plan ('Shadow SIP') for employees of the Group based in the United Kingdom. The Shadow SIP mirrors the terms of the SIP, except that employees will be issued with the cash equivalent of 500 shares each on the vesting date. On 1 February 2015, 2,000 share options were granted. The estimated fair value of options granted was £1.815 per share. The fair value has been estimated using a Black-Scholes method, the inputs for which are detailed below. At 31 December 2015 the options had a weighted average remaining contractual life of 2.08 years. The total expense in respect of cash-settled share-based payments for the year ended 31 December 2015 was £1,000 (2014: £nil).

22 Share-based payment continued

Valuation model inputs

The inputs into the Monte Carlo and Black-Scholes models for purposes of estimating the fair values of the share options granted in the year are as follows:

	CIP original grant (Monte Carlo)	CIP modification[1] (Monte Carlo)	LTIP (Black-Scholes)	SAYE (Black-Scholes)	SIP (Black-Scholes)	Shadow SAYE (Black-Scholes)	Shadow SIP (Black-Scholes)
Grant/modification date	10/02/2014	**09/02/2015**	**11/05/2015**	01/12/2014	01/12/2014	**01/02/2015**	**01/02/2015**
Share price on grant/modification date	1.60	**1.84**	**1.905**	1.7675	1.7675	**1.815**	**1.815**
Exercise price	0.00	**0.00**	**0.00**	1.40	0.00	**1.40**	**0.00**
Expected volatility	29.06%	**25.91%**	**29.06%**	29.06%	29.06%	**29.06%**	**29.06%**
Expected life	3 years	**3 years**	**3 years**	3 years	3 years	**3 years**	**3 years**
Risk free rate	0%	**0%**	**0%**	0.95%	0%	**0.95%**	**0%**
Expected dividend yield	0%	**0%**	**0%**	5.60%	0%	**5.45%**	**0%**

1. Valuation model also used for the grant of additional shares on 4 June 2015.

Expected volatility would normally be determined by reference to share price movements (with dividends reinvested) over a period of time commensurate with the remaining performance period immediately prior to the date of grant. However given the Company was listed on 10 February 2014, there is insufficient data to calculate volatility of the Company's share price. Therefore, a proxy volatility figure has been used. The proxy volatility figure has been derived from the median volatility of the 11 companies in the comparator group for the TSR performance condition in the CIP (as at the grant date) over the relevant period.

A risk free rate of 0% has been used for the CIP, LTIP, SIP and Shadow SIP as the valuation of awards with no exercise price is not affected by the risk-free rate input, as no investment is required by the recipient and therefore no gain could be derived elsewhere.

The dividends that would be paid on a share in the period between grant and vesting reduce the fair value of an award if, in not owning the underlying shares, a participant does not receive the dividend income on these shares during the vesting period. An expected dividend yield of 0% has been used in respect of the CIP, LTIP, SIP and Shadow SIP as under these plans participants are entitled to receive an amount equal to dividends payable to the vesting date. Accordingly, the dividend yield input has been set at nil so as not to discount for the loss of dividends. The expected yield used for the SAYE and Shadow SAYE schemes has been based on the share price on grant date and the Company's intention to maintain a dividend yield of 7% on the Admission placing price of £1.42 per share.

23 Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Note	31 December 2015 000	31 December 2014 000
Weighted average number of ordinary shares at 31 December (Basic)		**112,960**	105,908
Effect of Co-Investment plan	22	**688**	494
Effect of Long term incentive plan	22	**45**	–
Effect of Save as you earn plan	22	**208**	2
Effect of Share incentive plan	22	**61**	1
Effect of Shadow save as you earn plan	22	**2**	–
Effect of Shadow share incentive plan	22	**1**	–
Weighted average number of ordinary shares at 31 December (Diluted)		**113,965**	106,405

The own shares held as detailed in note 16 are excluded from the calculation of the weighted average number of shares.

None of the instruments noted above which potentially dilute earnings per share have any effects recorded within profit or loss which may be saved upon exercise, therefore no adjustments to earnings have been made in the calculation of diluted earnings per share.

23 Earnings per share continued

23.1 Reported earnings per share

The calculation of the reported earnings per share has been based on the weighted average number of shares outstanding during the period (as above) and the Profit/(loss) for the period after tax attributable to the owners of the Group ('Earnings').

	Earnings £'000	Thousands of shares (Basic)	Basic earnings per share	Thousand of shares (Diluted)	Diluted earnings per share
31 December 2014	5,716	105,908	5.40p	106,405	5.37p
31 December 2015	**16,553**	**112,960**	**14.65p**	**113,965**	**14.53p**

23.2 Underlying earnings per share

The calculation of underlying earnings per share has also been included to enable shareholders to assess the results of the Group excluding income and charges detailed in note 4 that are one-off in nature, significant and distort the Group's underlying performance.

	Earnings £'000	Thousands of shares (Basic)	Basic earnings per share	Thousand of shares (Diluted)	Diluted earnings per share
31 December 2014	12,945	105,908	12.22p	106,405	12.17p
31 December 2015	**16,553**	**112,960**	**14.65p**	**113,965**	**14.53p**

24 Dividends

The following amounts were recognised as distributions to equity holders in the year:

	2015 £'000	2014 £'000
Final dividend for the year ended 31 December 2014 of 6.6p (2013: nil) per share	**7,455**	–
Interim dividend for the year ended 31 December 2015 of 3.5p (2014: 3.3p) per share	**3,954**	3,723
Total dividends recognised in the year	**11,409**	3,723
Final dividend for the year ended 31 December 2015 of 6.9p (2014: 6.6p) per share	**7,794**	7,455

The final dividend for the year ended 31 December 2015 was declared on 30 March 2016. The final dividend was declared after the reporting period and has not been included as a liability in these financial statements. The final dividend is payable to all shareholders on the Register of Members on 27 May 2016. The total dividend to be paid is 6.9p per share. The payment of this dividend will not have any tax consequences for the Group.

25 Post-balance sheet events

The following significant events occurred after the year end date of 31 December 2015 and prior to the signing of this Annual Report on 12 May 2016:

- A final dividend for the year ended 31 December 2015 was declared as detailed in note 24;
- On 1 February 2016, Danny Bakhshi was appointed as a Director of the Company;
- On 28 January 2016, the Remuneration Committee of the Company approved a second Long Term Incentive Plan for the Executive Directors of the Company and Directors of the subsidiary Manx Telecom Trading Limited; and
- On 28 January 2016, the Remuneration Committee of the Company approved a second Save As You Earn share option scheme for employees of the Group.

Other than as noted above, there are no events after the balance sheet date which require disclosure.

directors, secretary, registered office and advisers

Directors
Kevin Walsh (Non-Executive Chairman)
Gary Lamb (Chief Executive Officer)
Danny Bakhshi (Chief Financial Officer)
Sir Miles Walker (Non-Executive Director)
Jeffrey Hume (Senior Independent Non-Executive Director)

Company Secretary
Danny Bakhshi

Registered Agent
Estera Trust (Isle of Man) Limited –
formerly Appleby Trust (Isle of Man) Limited
33–37 Athol Street
Douglas
Isle of Man
IM1 1LB

Registered office of the Company
33–37 Athol Street
Douglas
Isle of Man
IM1 1LB

Head office of the Company
Isle of Man Business Park
Cooil Road, Braddan
Isle of Man
IM99 1HX

Nominated Adviser and Corporate Broker to the Company
Liberum Capital Limited
Ropemaker Place, Level 12
25 Ropemaker Street
London
EC2Y 9LY

Financial Adviser to the Company
Oakley Advisory Limited
3 Cadogan Gate
London
SW1X 0AS

English legal advisers to the Company
Linklaters LLP
One Silk Street
London
EC2Y 8HQ

Isle of Man legal advisers to the Company
Appleby (Isle of Man) LLC
33–37 Athol Street
Douglas
Isle of Man
IM1 1LB

Reporting Accountants and Auditors
KPMG Audit LLC
Heritage Court
41 Athol Street
Douglas
Isle of Man
IM99 1HN

Registrars
Computershare Investor Services (IOM) Limited
Millennium House
46 Athol Street
Douglas
Isle of Man
IM1 1JE

Financial PR advisers
Powerscourt
1 Tudor Street
London
EC4Y 0AH

Designed and produced by Emperor
www.emperordesign.co.uk +44 (0)20 7729 9090

manx telecom
Isle of Man Business Park
Cooil Road, Braddan
Isle of Man
IM99 1HX

www.manxtelecom.com