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Manx Telecom PLC
12 September 2018

Manx Telecom Plc

Results for the six months ended 30 June 2018

Solid performance across the business and investment for growth

Manx Telecom Plc (AIM: MANX), ("Manx Telecom", the "Company" or the "Group") the leading communication solutions provider on the Isle of Man, announces its results for the six months ended 30 June 2018.

Financial Highlights

- Revenues of £38.1m (H1 2017: £38.5m)
    - Fixed Line, Broadband and Data revenues solid at £15.5m (H1 2017: £15.6m)
    - Mobile revenues as prior year at £10.2m (H1 2017: £10.2m)
    - Global Solutions revenue as prior year at £7.9m (H1 2017: £7.9m)
    - Data Centre revenues as prior year at £2.3m (H1 2017: £2.3m)
    - Other revenues at £2.3m (H1 2017: £2.5m)
- Underlying EBITDA lower at £12.4m (H1 2017: £12.6m). Reported EBITDA higher at £10.9m (H1 2017: £10.7m)
- Underlying Profit Before Tax at £6.6m (H1 2017: £6.7m)
- Reported Profit Before Tax up 4.9% at £5.5m (H1 2017: £5.2m)
- Continued strong cash conversion with underlying operating cash flow at £10.1m (H1 2017: £10.2m). Reported operating cash flow of £8.0m (H1 2017: £5.4m)
- Net debt of £64.0m (H1 2017: £61.7m) after investment in the Transformation Programme and the launch of our Goshawk Communications hearing loss product - this level of net debt is expected to fall in the second half of the year
- Interim dividend of 4.10p (H1 2017: 3.90p), following our progressive dividend policy

Operational Highlights

- Market leading position maintained in the core market of Fixed, Broadband, Data and Mobile
- Fibre to the Premise ("FTTP") rollout is progressing well with over 6% of premises now passed and expected to increase to 12% of premises passed by the end of H2
- Further progress with Transformation Programme, remains on schedule to complete in H2

Significant Events

- Agreement signed with BT to leverage its EE mobile network to launch the Goshawk proposition as an Mobile Virtual Network Operator ("MVNO") in the UK in 2019, following an Isle of Man launch this year
- Very positive results seen from the Goshawk hearing loss product pilot
- Iarla Hughes has agreed to join the Board as CFO in November

Gary Lamb, Chief Executive Officer, said:

"We have had another solid six months, with performance in line with the Board's expectations. A good performance by the core business against a competitive market backdrop allowed continued investment in our areas of highest growth potential: Global Solutions, managed services and Vannin Ventures. We are particularly excited by our high potential Goshawk product to be initially launched in the Isle of Man during September and then in the UK next year in partnership with BT/EE. This product is a global first for those with hearing loss and presents a significant medium-term growth opportunity for Manx Telecom.

"We are on track with our new ultrafast FTTP broadband rollout ("Fibre to the Premise") with over 6% of premises passed and 12% due to be passed by the year end. Uptake has been encouraging and we are expecting further growth in H2. We will provide an update later this year on our efforts to accelerate the rollout working with the Government.

"We remain confident in the long-term prospects of the business which continues to trade in line with the Board's expectations for the full year Underlying levels of cash flow remain strong which underpins our increased interim dividend payment and will enable us to continue our investment in growth."

	Underlying results[2]			Reported results		
	30 June 2018[1] £m	30 June 2017[1] £m	Change	30 June 2018[1] £m	30 June 2017[1] £m	Change
Revenue	38.1	38.5	(0.9%)	38.1	38.5	(0.9%)
EBITDA[3]	12.4	12.6	(1.5%)	10.9	10.7	1.9%
Margin	32.5%	32.7%		28.5%	27.7%	
Operating Profit	7.7	7.8	(1.3%)	6.2	5.9	4.8%
Margin	20.2%	20.3%		16.2%	15.3%	
Cash generated from operations	10.1	10.2	(1.0%)	8.0	5.4	48.1%
Purchase of Property, Plant and Equipment (excl. intangibles)	3.5	3.0	17.9%	5.4	3.5	51.5%
Free Cash Flow[3]	6.5	7.3	(10.8%)	2.5	(0.1)	>100%
Profit before and after tax	6.6	6.7	(1.4%)	5.5	5.2	4.9%
Basic Earnings per share	5.88p	5.93p	(0.8%)	4.88p	4.60p	6.1%
Diluted earnings	5.87p	5.88p	(0.2%)	4.87p	4.57p	6.6%

per share						
Interim dividend per share	4.1p	3.9p	5.1%	4.1p	3.9p	5.1%

[1] Results for the six months ending 30 June 2018 are on an IFRS 15 basis unless indicated. Results for the six months ending 30 June 2017 are on an IAS 18 basis. The implementation of IFRS 15 accounts for £0.5m in revenue and £0.5m in EBITDA. Please see note 3 for further details of these adjustments and the impact the transition method has had on opening retained earnings.

[2] Underlying results are alternative performance measures which are relevant to an understanding of the Group's financial performance which are not defined in IFRS and are therefore termed 'non-GAAP' measures. Underlying results are adjusted for specific items, a full list of which is provided in note 18. See note 18 for further details, including definitions of terms and for reconciliations to the most comparable GAAP measure.

[3] EBITDA and Free Cash Flow are non-GAAP measures and are defined in note 18.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

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<u>CEO's review</u>

The first six months showed a solid performance across all areas of the Group, in line with the Board's expectations. Group revenues for the period were slightly lower than in the comparable period last year primarily as a result of lower kit sales and lower mobile roaming revenues, partly offset by Smartroam, our UK and EU roaming package, introduced in H2 2017. These decreases have been offset in part by £0.5m revenues recognised as a result of the adoption of IFRS 15. Revenue from Global Solutions remains robust and shows opportunity for growth through the remainder of the year. Data Centre revenues were in line with H1 2017 and show potential for H2 growth with the introduction of our new cloud product offerings.

Underlying EBITDA was down during the half year at £12.4m (H1 2017: £12.6m), with reported EBITDA up at £10.9m (H1 2017: £10.7m). The decrease in Underlying EBITDA was predominately due to one of our smaller Data Centre customers ceasing to trade and lower roaming revenues. Underlying profit before tax was £6.6m (H1 2017: £6.7m) with reported profit before tax at £5.5m (H1 2017: £5.2m). Underlying diluted EPS was 5.87p (H1 2017: 5.88p) with reported diluted EPS at 4.87p (H1 2017: 4.57p).

Underlying operating cash flow was £10.1m (H1 2017: £10.2m), with Underlying EBITDA cash conversion up at 81.7% (H1 2017: 81.3%). Reported EBITDA cash conversion was 73.9% (H1 2017: 50.8%). The improvement is due to better working capital management compared with the same period last year.

Reported operating cashflow, which takes into account the exceptional costs associated with the Transformation Programme and Goshawk product launch costs, was £8.0m (H1 2017: £5.4m).

The Board remains confident in the strength of the underlying cash flows of the Group and as such has declared an interim dividend of 4.1p (H1 2017: 3.9p), representing growth of 5.1% over the same period last year, in line with its progressive dividend policy.

The Isle of Man economy continues to perform well, with an unemployment rate of less than 1%. Manx Telecom continues to support the Isle of Man Government in attracting business to the Island, and the telecommunications infrastructure and services that Manx Telecom provides, forms an essential part of the Island's continued success.

Our Transformation Programme remains on track, with benefits starting to accrue as systems and processes are implemented. Most of the costs have now been incurred, with further costs expected to be incurred as scheduled up to the end of the programme in H2.

We continue to invest for growth in Vannin Ventures and signed a contract with BT/EE to enable the launch of the Goshawk hearing loss product in the UK next year, following the planned Isle of Man full launch in the second half of 2018. This will also provide a platform for growth in the Global Solutions business.

We are delighted to report that Iarla Hughes has agreed to join the Board as CFO and is expected to be appointed in November 2018. Iarla joins from International Aerospace Coatings LLP, where he has been Group Chief Financial Officer and Company Secretary for 3 years. With over 8 years' experience in the telecoms industry, Iarla previously held a General Manager position at Cable and Wireless Ireland before becoming CFO at Digicel West Indies. He spent a number of years in various senior finance roles at Cable and Wireless.

<u>Results overview</u>

Fixed Line, Broadband and Data Services

Fixed Line, 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. It is our largest business, representing 41% of Company revenues in the period.

Fixed Line revenues were broadly flat. Without the impact of IFRS 15, revenues were up £0.1m following the introduction of our changes to Fixed Line Tariffs in March 2018.

Broadband and Data Services revenue were in line with revenue in H1 2017.

Our high-speed broadband services, known as Ultima and Ultima Plus, now reach 93% of households, with 56% penetration (31 December 2017: 52%, 30 June 2017: 45%).

Our ultrafast Fibre to the Premise (FTTP) rollout progressed well during the first half of 2018, and in line with our targets, covering key business districts and industrial estates across the Island, with over 6% premises now passed. This figure is expected to increase to 12% by the end of the year, the cost of which is included within our normal capital expenditure. There has been good uptake of these higher average revenue per user (ARPU) services, which has largely helped to offset some of the impact of customers moving to 4G broadband.

Mobile

Our award-winning 4G network provides 99% population coverage at speeds 10 times faster than 3G services and is available to our post-paid and pre-paid customers.

Mobile revenue was in line with our expectations and flat year on year, boosted in part by accounting changes under IFRS 15. Excluding the impact of these changes and new retail hardware product offerings, revenues were down by £0.5m. This is due to reduced roaming revenues following the introduction of lower roaming rates across the EU, offset in part by our Smartroam product. In addition, we have reduced costs through negotiation of lower rates with our roaming partners. In addition, as customers continue to move on to the Smartroam higher tariffs, contract subscription revenues increase with higher ARPU.

Global Solutions

The Global Solutions business generates revenue from services which run on our domestic mobile technology platform and use 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 traveler market, M2M and Strongest Signal Mobile (branded Chameleon).

Global Solutions revenue performed well by delivering revenues of £7.9m in the first half of the year (H1 2017: £7.9m) and continuing the strong momentum delivered in 2017. We have some exciting products in the pipeline that support our growth aspirations for the business and look forward to leveraging significant benefit from the new major network contract we have secured for the Goshawk product launch.

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 (GDC). The data centres at GDC and Douglas North are Tier III 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).

Data Centre revenues were broadly in line with revenues in H1 2017, with a decline of 2.9% largely due to one of our smaller Data Centre customers ceasing to trade. We remain positive about the revenue growth associated with new cloud-based products which will become available in H2.

Other

Other revenues include the advertising revenue from our telephone directory, hardware equipment sales, inter-connection fees, managed services and revenue from our subsidiaries, including the provision of telecommunications software.

Other revenues during the period fell to £2.3m (H1 2017: £2.5m) with the reduction mainly due to lower low-margin kit sales than experienced in H1 2017.

Outlook

Current trading remains in line with the Board's expectations. Overall growth in our core business is expected within Mobile and Broadband balanced by moderate decline in Fixed Line and Data Services revenues. We expect that our Data Centre business will see growth in H2, with take up of our cloud-based offerings. We are excited about growth in our Global Solutions business during H2 from our existing partnerships.

Net debt is expected to reduce in the second half with the majority of cash outflows relating to the Transformation Programme recognised in the first half of the year.

We continue to build our growth platform in Vannin Ventures which will deliver meaningful growth in the medium to long term with projects like Goshawk, whilst we continue investing to maintain our core business on the Isle of Man.

We remain confident in the outlook for the Group, reflected in our commitment to maintain our progressive dividend policy. We continue to generate strong underlying levels of operating cash flow from our core business, which enables us to support our ongoing investment programme and to create further value for shareholders.

Financial review

Revenue	H1 2018 £'000	% Total Revenue	H1 2017 £'000	% Total Revenue	YoY %
Fixed Line, Broadband and Data	15,491	40.6%	15,568	40.5%	(0.5%)
Mobile	10,198	26.7%	10,209	26.5%	(0.1%)
Global Solutions	7,882	20.7%	7,891	20.5%	(0.1%)
Data Centre	2,250	5.9%	2,318	6.0%	(2.9%)
Other	2,307	6.1%	2,507	6.5%	(8.0%)
Total Revenue	38,128		38,493		(0.9%)

Group revenue declined by 0.9% to £38.1m (H1 2017: £38.5m) mainly due to a reduction in Other revenues from lower low-margin kit sales compared to H1 2017 and £0.6m lower roaming revenues. These decreases were offset in part by the application of IFRS 15, recognising £0.5m revenue from the provision of handsets upfront net of a reduction in recognition of Fixed Line connection fees.

The Fixed Line, Broadband and Data business was in line with H1 2017 at £15.5m (H1: 2017: £15.6) with a £0.1m reduction in connection fee income on application of IFRS 15 offset by changes in our Fixed Line Tariffs. Mobile revenues remained in line with H1 2017 at £10.2m. Without the impact of IFRS 15 revenue was £0.5m, or 4.9% lower than H1 2017. This was as a result of lower roaming revenues following the introduction of lower roaming rates across the EU, offset in part by our Smartroam product. The Global Solutions business performed well with H1 2017 revenues at £7.9m. Data Centre revenues reduced slightly by 2.9% at £2.3m (H1 2017 £2.3m). Other revenues were down by 8.0% to £2.3m (H1 2017 £2.5m) due to lower low-margin kit sales than H1 2017.

The Group generated underlying EBITDA of £12.4m (H1 2017: £12.6m) and reported EBITDA of £10.9m (H1 2017: £10.7m). The lower underlying EBITDA was primarily due to one of our smaller Data Centre customers ceasing to trade and as a result of lower roaming revenues offset in part by lower roaming costs. Underlying EBITDA margin was consistent at 32.5% (H1 2017 32.7%) and reported EBITDA margin increased to 28.5% (H1 2017: 27.7%).

Depreciation and amortisation was £4.7m (H1 2017: £4.8m) which decreased as a result of the timing of higher disposals in H1 2018 compared to H1 2017.

Underlying operating profit was £7.7m (H1 2017: £7.8m) reflecting the decrease in underlying EBITDA and decreased depreciation expense. Reported operating profit was £6.2m (H1 2017: £5.9m) due to the impact of the Transformation Programme costs and Goshawk Product Launch costs of £1.1m and £0.4m respectively.

Underlying profit before tax was £6.6m (H1 2017 £6.7m) which is calculated as profit before tax, adjusted for the Transformation Programme related expenses of £1.1m, Goshawk product launch costs of £0.4m and a £0.4m gain on re-measurement of interest rate swap liability. Before adjusting for these items, reported profit before tax was £5.5m (H1 2017: £5.2m).

Underlying diluted EPS was 5.87p (H1 2017: 5.88p) resulting from the lower underlying profit before tax. Reported diluted EPS was up at 4.87p (H1 2017: 4.57p).

The Company has declared an interim dividend of 4.1p, a 5.1% or 0.2p increase on last year.

Costs

Costs of sales increased by 1.8% to £15.8m (H1 2017 £15.5m), primarily due increased hardware costs offset by lower roaming costs.

Administrative expenses decreased by 5.4% to £16.2m (H1 2017: £17.1m) due to lower pay costs following the Transformation Programme.

Net finance costs remained stable at £1.1m (H1 2017: £1.1m).

We recorded a realised gain of £0.3m and an unrealised gain of £0.1m (H1 2017: unrealised gain £0.4m) on interest rate swaps with two of the three swaps in place having matured on 29 June 2018.

There is no corporation tax payable on the Company's profits for H1 2018 or last year. The Company enjoys the benefit of an Isle of Man 0% corporation tax rate.

Cash flow

Cash generated from underlying operating activities remained stable at £10.1m (H1 2017: £10.2m). This represents an underlying EBITDA cash conversion of 81.7% (H1 2017: 81.3%) with the slight improvement aided by better working capital management.

Cash generated from reported operating activities increased by 48.7% to £8.0m (H1 2017: £5.4m).

Underlying operating cash flow includes adjustments for the following specific items;

Cash Flow	June 2018 £'000	June 2017 £'000
Reported operating Cash Flow[1]	**8,029**	**5,422**
Transformation Programme operating cashflows	1,787	4,790
Acquisition costs	-	30
Product Launch costs	319	-
Underlying operating cash flow	**10,135**	**10,242**

[1]Reported operating Cash Flow is referred to as Net cash generated from operating activities in the Condensed Interim Consolidated Statement of Cash Flows.

Product launch costs relate to the expenses incurred in relation to the launch of the Goshawk hearing loss product.

Reported free cash flow after investing activities was a cash inflow of £2.5m (H1 2017: £0.1m cash outflow) primarily due to improvements in working capital. After adjusting for these items, underlying free cash flow was £6.5m (H1 2017: £7.3m).

Cash Flow	June 2018 £'000	June 2017 £'000
Reported free Cash Flow	**2,540**	**(110)**
Transformation Programme operating cashflows	1,787	4,790
Transformation Programme capital expenditure cashflows	1,665	541
Acquisition costs	-	30
Acquisition of Subsidiary	-	2,007
Product launch costs and capital expenditure	479	-
Underlying free cash flow	**6,471**	**7,258**

Balance Sheet

Property, plant and equipment increased to £58.9m (H1 2017: £58.5m). Capital additions were £4.1m in H1 2018 compared with £2.8m in H1 2017 with the increase attributable to higher capital additions in relation to the Transformation Programme as IT systems are implemented. Depreciation at £4.5m has decreased from the prior year (H1 2017: £4.7m) as a result of higher disposals offset in part by the higher capital additions.

Goodwill of £87.9m remained static, with the balance relating to the purchase of Partitionware in December 2016 and the original purchase of Manx Telecom from Telefonica in 2010 which is robustly supported by current valuations.

Current assets increased to £39.4m (H1 2017: £35.7m), attributable to the recognition of Contract Assets on application of IFRS 15, higher inventories and trade and other receivables, offset by reduced cash levels. Cash held at the end of the period decreased to £5.4m from £7.5m at H1 2017 following cash outflows on the Transformation Programme.

Trade and other payables increased from £26.1m in H1 2017 to £31.5m in H1 2018, this increase along with the increase in Contract Liabilities of £0.3m, following application of IFRS 15, increased current liabilities to £31.8m (H1 2017: £26.7m).

Net debt increased to £64.0m (H1 2017 £61.7m) as a result of cash flows described above, investment in our Transformation Programme and the Goshawk product launch and is expected to fall in H2. The cash and facilities available to the Group as at 30 June 2018 include the long-term borrowings facility of £80m, of which as at 30 June 2018, £10m was unutilised.

Condensed Interim Consolidated Statement of Comprehensive Income

	Note	Unaudited 6 months to 30 June 2018 £'000	Unaudited 6 months to 30 June 2017* £'000
Revenue	*3,6*	**38,128**	38,493
Cost of sales	*3*	**(15,803)**	(15,522)
Gross profit		**22,325**	22,971
Administrative expenses	*3*	**(16,161)**	(17,091)
Operating profit		**6,164**	5,880
Underlying EBITDA		**12,408**	12,595
Depreciation and amortisation		**(4,698)**	(4,783)
Underlying Operating profit		**7,710**	7,812
Transformation Programme	*18*	**(1,122)**	(1,902)
Acquisition costs		**-**	(30)
Product launch costs	*18*	**(424)**	-
Operating Profit		**6,164**	5,880
Other income		**44**	15
Financial income	*7*	**3**	7
Finance costs	*7*	**(1,144)**	(1,125)
Net profit on interest rate swaps		**391**	428
Profit before tax		**5,458**	5,205
Taxation		**-**	-
Profit for the period Attributable to:		**5,458**	5,205
Owners of the Group		**5,605**	5,217
Non-Controlling Interest		**(147)**	(12)
Underlying Profit before Tax		**6,613**	6,709
Net profit on interest rate swaps		**391**	428
Transformation Programme	*18*	**(1,122)**	(1,902)
Acquisition costs		**-**	(30)
Product launch costs	*18*	**(424)**	-
Profit before tax		**5,458**	5,205
Other comprehensive income - Items that will never be reclassified to profit or loss			
Remeasurement of defined benefit pension scheme asset	*14*	**1,600**	600
Total comprehensive profit for the period Attributable to:		**7,058**	5,805
Owners of the Group		**7,205**	5,817
Non-Controlling Interest		**(147)**	(12)
Earnings per share from continuing operations			
Basic earnings per share	*13*	**4.88p**	4.60p
Diluted earnings per share	*13*	**4.87p**	4.57p
Underlying basic earnings per share	*13*	**5.88p**	5.93p
Underlying diluted earnings per share	*13*	**5.87p**	5.88p

*The Group has initially applied IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

The notes form an integral part of these condensed interim financial statements.

Condensed Interim Consolidated Statement of Financial Position

	Note	Unaudited 30 June 2018 £'000	Unaudited 30 June 2017* £'000	Audited 31 December 2017* £'000
Non-current assets				
Property, plant and equipment	*9*	**58,872**	58,515	59,294
Goodwill	*10*	**87,911**	87,911	87,911
Intangible assets		**756**	749	742
		147,539	147,175	147,947
Current assets				
Inventories		**1,144**	511	878
Trade and other receivables		**30,210**	27,730	28,526
Cash and cash equivalents		**5,401**	7,458	12,341
Contract Asset	*3*	**2,632**	-	-
		39,387	35,699	41,745
Current liabilities				
Trade and other payables		**(31,474)**	(26,061)	(30,094)
Contract liability		**(270)**	-	-
Interest rate swap liability		**-**	-	(290)
Provisions	*8*	**(84)**	(586)	(560)
		(31,828)	(26,647)	(30,944)

	Note	**Unaudited 30 June 2018 £'000**	Unaudited 30 June 2017* £'000	Audited 31 December 2017* £'000
Net current assets		**7,559**	9,052	10,801
Non-current liabilities				
Interest-bearing loans and borrowings	*12*	**(69,418)**	(69,161)	(69,288)
Interest rate swaps		**(744)**	(1,484)	(845)
Retirement benefit liability	*14*	**(1,895)**	(4,495)	(3,795)
		(72,057)	(75,140)	(73,928)
Net assets		**83,041**	81,087	84,820
Equity				
Share capital	*11*	**231**	228	230
Share premium	*11*	**1,723**	92	1,265
Revaluation Reserve		**1,159**	1,159	1,159
Retained earnings		**80,137**	79,630	82,238
Equity attributable to owners of the Group		**83,250**	81,109	84,892
Non-Controlling Interest	*16*	**(209)**	(22)	(72)
Total equity		**83,041**	81,087	84,820

*The Group has initially applied IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

The notes form an integral part of these condensed interim financial statements.

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

Gary Lamb
Director
11 September 2018

Condensed Interim Consolidated Statement of Changes in Equity

	Share Capital £'000	**Share Premium £'000**	**Revaluation Reserve £'000**	**Non-Controlling Interest £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance at 1 January 2017*	226	84,366	1,159	-	(2,794)	82,957
Total comprehensive income for the period						
Profit for the period	-	-	-	(12)	5,217	5,205
Other comprehensive income	-	-	-	-	600	600
Total comprehensive profit for the period	-	-	-	(12)	5,817	5,805
Transactions with owners of the Group, recorded directly in equity						
Share based payment transactions	-	-	-	-	428	428
Issue of shares	2	92	-	-	-	94
Dividend paid	-	-	-	-	(8,197)	(8,197)
Reclassification of share premium as retained earnings	-	(84,366)	-	-	84,366	-
Adjustment arising from change in non-controlling interest	-	-	-	(10)	10	-
Total contributions by and distributions to the owners of the Group	2	(84,274)	-	(10)	76,607	(7,675)
Balance at 30 June 2017*	228	92	1,159	(22)	79,630	81,087
Balance at 1 January 2017*	226	84,366	1,159	-	(2,794)	82,957
Total comprehensive income for the period						
Profit for the period	-	-	-	(62)	11,938	11,876
Other comprehensive income	-	-	-	-	1,100	1,100
Total comprehensive profit for the period	-	-	-	(62)	13,038	12,976
Transactions with owners of the Group, recorded directly in equity						
Reclassification of share premium as retained earnings	-	(84,366)	-	-	84,366	-
Share-based payment transactions	-	-	-	-	262	262
Adjustment arising from changes in non-controlling interest	-	-	-	(10)	10	-
Issue of shares	4	1,265	-	-	-	1,269
Dividend paid	-	-	-	-	(12,644)	(12,644)
Total contributions by and distributions to the owners of the Group	4	(83,101)	-	(10)	71,994	(11,113)
Balance at 31 December 2017*	230	1,265	1,159	(72)	82,238	84,820
Balance at 1 January 2018	230	1,265	1,159	(72)	82,238	84,820

Balance at 1 January 2018	**230**	**1,265**	**1,159**	**(72)**	**82,238**	**84,820**
Adjustment from adoption of IFRS15 *(note 3)*	-	-	-	-	(585)	(585)
Restated balance at 1 January 2018	**230**	**1,265**	**1,159**	**(72)**	**81,653**	**84,235**
Profit/(loss)for the period	-	-	-	(147)	5,605	5,458
Other comprehensive income	-	-	-	-	1,600	1,600
Total comprehensive profit for the period	**-**	**-**	**-**	**(147)**	**7,205**	**7,058**
Adjustment arising from change in non-controlling interest	**-**	**-**	**-**	**10**	**(10)**	**-**
Transactions with owners of the Group, recorded directly in equity	**-**	**-**	**-**	**-**	**-**	**-**
Credit to equity for share based payments expense	**-**	**-**	**-**	**-**	**222**	**222**
Debit to equity for share based payments exercise	**-**	**-**	**-**	**-**	**(267)**	**(267)**
Issue of shares	**1**	**458**	**-**	**-**	**-**	**459**
Dividend paid	**-**	**-**	**-**	**-**	**(8,666)**	**(8,666)**
Total contributions by and distributions to the owners of the Group	**1**	**458**	**-**	**10**	**(8,721)**	**(8,252)**
Balance at 30 June 2018	**231**	**1,723**	**1,159**	**(209)**	**80,137**	**83,041**

*The Group has initially applied IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

The notes form an integral part of these condensed interim financial statements.

Condensed Interim Consolidated Statement of Cash Flows

	Note	**Unaudited 6 months to 30 June 2018**		Unaudited 6 months to 30 June 2017	
		£'000	**£'000**	£'000	£'000*
Cash flows from operating activities					
Profit for the period			**5,458**		5,205
Adjustments for:					
Depreciation of property, plant and equipment	*9*	**4,532**		4,649	
Amortisation of intangibles		**166**		134	
Profit on disposal of property, plant and equipment		**(44)**		(5)	
Finance income		**(3)**		(7)	
Finance costs		**1,144**		1,125	
Net (profit)/loss on interest rate swaps		**(391)**		(428)	
Negative Goodwill released to income		**-**		(10)	
Equity-settled share-based payments transactions		**222**		430	
Pension contributions		**(300)**		(300)	
Changes in:					
Inventories		**(266)**		394	
Trade and other receivables		**(5,074)**		(4,500)	
Trade and other payables		**3,515**		1,989	
Contract Assets	*3*	**(724)**		-	
Contract Liabilities	*3*	**270**		-	
Provisions		**(476)**		(3,254)	
			2,571		217
Net cash generated from operating activities			**8,029**		5,422
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**44**		5	
Purchase of property, plant and equipment	*9*	**(5,356)**		(3,535)	
Acquisition of Subsidiary		**-**		(2,007)	
Purchase of intangible assets		**(180)**		(2)	
Interest received		**3**		7	
Net cash used in investing activities			**(5,489)**		(5,532)
Cash flows from financing activities					
Proceeds from issue of shares		**200**		92	
Repayment of borrowings	*12*	**(14)**		(20)	
Interest paid		**(1,000)**		(981)	
Dividends paid	*17*	**(8,666)**		(8,197)	
Net cash used in financing activities			**(9,480)**		(9,106)
Net decrease in cash and cash equivalents			**(6,940)**		(9,216)
Cash and cash equivalents brought forward			**12,341**		16,674
Cash and cash equivalents at 30 June			**5, 401**		7,458

*The Group has initially applied IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

The notes form an integral part of these financial statements.

1 General information

Manx Telecom plc (the "Company") and its subsidiaries (together "the Group") supply of a broad range of telecommunications services to the Isle of Man.

The Company is a public limited company, which is listed on the Alternative Investment Market of the London Stock Exchange ("AIM") and is incorporated and domiciled in the Isle of Man. The address of its registered office is 33-37 Athol Street, Douglas, Isle of Man, IM1 1LB.

These condensed interim consolidated financial statements were approved for issue on 11 September 2018. The interim report will be available from 12 September 2018 on the group's website www.manxtelecom.com and from the registered office.

2 Basis of preparation

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. These condensed interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. However, explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2017. These condensed interim financial statements should be read in conjunction with the last annual consolidated financial statements as at and for the year ended 31 December 2017.

This is the first set of the Group's financial statements where IFRS 15 has been applied. Changes to significant accounting policies are described in Note 3.

3 Accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017. Other amendments to IFRSs effective for the financial year ending 31 December 2018 are not expected to have a material impact on the Group.

Changes in significant accounting policies
The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ended 31 December 2018.

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers (see A) and IFRS 9 Financial Instruments (see B) from 1 January 2018. A number of other new standards are effective from 1 January 2018, as outlined below, but they do not have a material effect on the Group's financial statements.

The effect of initially applying these standards is mainly attributable to the following:

IFRS 15 Revenue from Contracts with Customers

- Earlier recognition of revenue from the sale of post-paid handsets, routers and retail hardware (see note a below)
- Deferral of connection fee income associated with Fixed Line, Broadband and Data Services over the contract term (see note b below)
- Deferral of directly attributable commission expenses over the term of the contract (see note c below)
- Earlier recognition of post-paid handset and router costs, where previously deferred (see note d below)

A IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes previous revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated. It has been presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The following table summarises the impact of transition to IFRS 15 on retained earnings at 1 January 2018.

	Note	Impact of adopting IFRS 15 at 1 January 2018 £'000
Retained Earnings at 1 January 2018		**82,238**
Earlier recognition of handset revenue	*a*	1,591
Earlier recognition of router revenue	*a*	298
Earlier recognition of retail hardware revenue	*a*	9
Deferral of connection fee income over contract term	*b*	896
Deferral of commission expenses over contract period	*c*	9
Earlier recognition of postpaid handset and router costs	*d*	(3,388)
Restated Retained Earnings as at 1 January 2018		**81,653**

The following tables summarise the impacts of adopting IFRS 15 on the Group's interim Statement of Financial Position as at 30 June 2018 and its interim Statement of Comprehensive Income for the six months ended for each of the lines affected.

Impact on the condensed interim consolidated Statement of Financial Position

For the six months ended 30 June 2018	*Note*	Amounts without adoption of IFRS 15	Adjustments	As reported
		£'000	£'000	£'000
Non-current assets		**147,539**	**-**	**147,539**
Contract Assets	*a,c*	-	2,632	2,632
Deferred handset costs	*d*	3,467	(3,467)	-
Current assets		**40,222**	**(835)**	**39,387**
Contract liabilities		-	270	270

For the six months ended 30 June 2018	*Note*	**Amounts without adoption of IFRS 15**	**Adjustments**	**As reported**
		£'000	**£'000**	**£'000**
Deferred connection fees	*b*	1,056	(1056)	-
Current Liabilities		**32,614**	**(786)**	**31,828**
Net Current Assets		7,608	(49)	7,559
Non-Current liabilities		72,057	-	72,057
Net Assets		83,090	(49)	83,041
Retained Earnings		80,186	(49)	80,137
Equity attributable to the owners of the Group		83,299	(49)	83,250
Non-Controlling Interest		(209)	-	(209)
Total Equity		83,090	(49)	83,041

Impact on the condensed interim consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018	*Note*	**Amounts without adoption of IFRS 15**	**Adjustments**	**As reported**
		£'000	**£'000**	**£'000**
Revenue*	*a,b*	37,582	546	38,128
Cost of Sales	*d*	15,725	78	15,803
Gross Profit		21,857	468	22,325
Administrative expenses	*c*	16,229	(68)	16,161
Operating Profit		5,628	536	6,164
Profit for the period		4,922	536	5,458
Total comprehensive income for the period		6,522	536	7,058

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the impacted areas are summarised below.

The adjustment to revenue includes an adjustment of £0.6m of additional Mobile revenues offset by a reduction of £0.1m in Fixed Line, Broadband and Data Service revenues.

Impacted Area	**Nature, timing of satisfaction of performance obligations**	**Nature of change in accounting policy**
a **Handset, router and retail hardware revenue**	Customers obtain control of handsets, routers and retail hardware when the goods are delivered. Delivery of the asset constitutes as satisfaction of a performance obligation. Revenue associated with this performance obligation should be recognised at a point in time, i.e. on delivery of the asset to the customer.	Under previous accounting policies, revenue for such assets, which were included in a contract with rental services, was recognised over the associated contract term. The impact of this change was to recognise a contract asset for the consideration not yet received for the asset recognised at the point in sale and subsequently reduce the ongoing service revenue over the term of the customers contract. Early upgrades were not considered to have a significant impact as the average contract term was equivalent to the actual contract term used. The financing component on the assets within the contracts was not considered to be significant and therefore no adjustment has been made.
b **Connection fee income**	The connection fees associated with Fixed Line, Broadband and Data Services revenue streams relate to connection fees charged to customers associated with provision of the underlying service. The connection is deemed to be part of the same performance obligation as the underlying service. Revenue associated with the connection fees is therefore deferred over the associated contract term. The contract term is deemed to be the appropriate deferral period, where there are enforceable rights and obligations held by the customer and the Group respectively.	Under previous accounting policies, connection fee revenue was deferred over an average customer life applicable to each revenue stream. On application of IFRS 15, the deferral period has changed to be over the contract period.

Impacted Area	Nature, timing of satisfaction of performance obligations	Nature of change in accounting policy
c **Commission expenses**	Sales commission expenses which are directly related with obtaining a contract should be deferred over the associated term of the contract with a corresponding asset recognised.	Under previous accounting policies, commission expenses were recognised as incurred. Under IFRS 15, certain commission expenses which are directly attributable to a customer contract are recognised over the associated contract term.
d **Handset, router and retail hardware costs**	The associated cost of sales to the revenue from upfront recognition of handset, router and retail hardware should be recognised up front at the point of sale to match the associated sale.	Under previous accounting policies, cost of sales associated with the sale of handsets, routers and hardware were spread over the term of the contract in order to match the recognised revenues. On application of IFRS 15, the associated costs have been recognised upfront.

B IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

There has been no impact of transition of IFRS 9 on the financial statements for the current or comparative periods.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cashflows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

ii. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.
The financial assets at amortised cost consist of trade receivables, cash and cash equivalents, and contract assets.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

IFRS 2	Share Based Payments
	Annual Improvements to IFRSs 2014-2016 cycle
IFRIC 22	Foreign Currency Transactions and Advance Consideration
IAS 40	Amendments to IAS 40

At the date of authorization 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	Amendments to IFRS 9 Financial Instruments	1 January 2019
IFRS 16	Leases	1 January 2019

With the exception of IFRS 16, of which the impact has been outlined in the 2017 Annual Report, 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.

Going concern

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements.

4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of these condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 which is described in Note 3.

5 Financial risk management and financial instruments

5.1 Financial risk factors

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.

These condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

5.2 Liquidity risk

The Group's liquidity profile is unchanged during the period.

5.3 Fair value estimation

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 states is determined on such a basis, except for share based payments within the scope of IFRS 2 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 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.

The table below analyses financial instruments carried at fair value at 30 June 2018, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. 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.

30 June 2018	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets	**-**	**-**	**-**	**-**
Financial liabilities	**-**	**(744)**	**-**	**(744)**

The following table presents the group's assets and liabilities that are measured at fair value at 30 June 2017.

30 June 2017	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets	-	-	-	-
Financial liabilities	-	(1,484)	-	(1,484)

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2017.

31 December 2017	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets	-	-	-	-
Financial liabilities	-	(1,135)	-	(1,135)

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

6 Operating segment information

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

	30 June 2018 £'000	30 June 2017 £'000
Fixed line, broadband and data	**15,491**	15,568
Mobile	**10,198**	10,209
Global Solutions	**7,882**	7,891
Data Centre	**2,250**	2,318

Other	**2,307**	2,507
Total	**38,128**	38,493

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 strongest signal mobile (branded Chameleon) and M2M (machine to machine).
Data centre includes revenues from hosting services provided.
Other includes kit sales, directory revenues, managed service rental charges and revenue from the provision of telecommunications software.

7 Finance income and expense recognised in profit or loss

	30 June 2018 £'000	30 June 2017 £'000
Finance income		
Other interest receivable	**3**	7
Total	**3**	7
Finance expense		
Interest payable on borrowings	**998**	978
Amortisation of loan transaction costs	**144**	144
Finance lease interest	**2**	3
Total	**1,144**	1,125

8 Provisions

Restructuring Provision	**2018 £'000**	2017 £'000
At 1 January	560	3,840
Additional provision in the period	84	457
Utilisation of Provision	(560)	(3,711)
At 30 June	84	586

During 2016, the Group committed to a plan to restructure the business as part of the Transformation Programme. The restructuring provision relates to consulting fees and other costs of the Transformation Programme. Estimated costs were based on the terms of relevant contracts.

9 Property, plant and equipment

Fixed asset additions during the period relate principally investment in the Group's fixed voice network, billing systems and building facilities.

Property, plant and equipment **Cost**	**Land and buildings £'000**	**Plant and equipment £'000**	**Under construction £'000**	**Total £'000**
Balance at 1 January 2017	32,629	99,151	2,262	134,042
Additions	-	-	2,835	2,835
Transfer	36	921	(957)	-
Disposals	-	-	-	-
Acquisition of Subsidiary	-	1	-	1
Balance at 30 June 2017	32,665	100,073	4,140	136,878
Balance at 1 January 2017	32,629	99,151	2,262	134,042
Additions	-	-	8,504	8,504
Transfer	41	3,414	(3,455)	-
Disposals	-	(69)	-	(69)
Acquisition of Subsidiary	-	2	-	2
Impairment	(19)	(260)	-	(279)
Balance at 31 December 2017	32,651	102,238	7,311	142,200
Balance at 1 January 2018	32,651	102,238	7,311	142,200
Additions	7	155	3,948	4,110
Transfer	718	1,558	(2,276)	-
Disposals	-	(319)	-	(319)
Balance at 30 June 2018	**33,376**	**103,632**	**8,983**	**145,991**
Depreciation and impairment				
Balance at 1 January 2017	6,535	67,179	-	73,714
Depreciation charge for the period	699	3,950	-	4,649
Disposals	-	-	-	-
Balance at 30 June 2017	7,234	71,129	-	78,363
Balance at 1 January 2017	6,535	67,179	-	73,714
Depreciation charge for the period	1,381	8,057	-	9,438
Disposals	-	(69)	-	(69)
Impairment	(16)	(161)	-	(177)

Balance at 31 December 2017	7,900	75,006	-	82,906
Balance at 1 January 2018	7,900	75,006	-	82,906
Depreciation charge for the period	689	3,843	-	4,532
Disposals	-	(319)	-	(319)
Balance at 30 June 2018	**8,589**	**78,530**	**-**	**87,119**
Net book value 30 June 2018	**24,787**	**25,102**	**8,983**	**58,872**
Net book value 31 December 2017	**24,751**	**27,232**	**7,311**	**59,294**
Net book value 30 June 2017	**25,431**	**28,944**	**4,140**	**58,515**

10 Goodwill

Cost	£'000
Balance at 1 January 2017	87,911
Additions during the period	-
Balance at 30 June 2017	87,911
Additions during the period	-
Balance at 31 December 2017	87,911
Additions during the period	**-**
Balance at 30 June 2018	**87,911**
Carrying amount	
As at 30 June 2018	**87,911**
As at 31 December 2017	87,911
As at 30 June 2017	87,911

On 29 June 2010, the Group acquired all of the ordinary shares in Manx Telecom Trading Limited (previously Manx Telecom Limited) for £133.8m satisfied in cash.

On 1 December 2016, the Group acquired all of the ordinary shares in Partitionware Limited for £4,007,000 satisfied in cash, giving rise to goodwill of £3,634,000.

Goodwill is deemed to have an indefinite life and so is not subject to amortisation.

The cash generating unit of the Group is considered to be 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.

A review for indicators of impairment since 31 December 2017 has been performed with no such indicators identified.

11 Share capital

The table below sets out the amounts recorded in equity:

	Number of shares in issue (thousands)	Ordinary share capital £'000	Share premium £'000	Total £'000
Opening balance as at 1 January 2017	112,977	226	84,366	84,592
Reclassification of shar premium as retained earnings	-	-	(84,366)	(84,366)
Shares issued on exercise of CIP Scheme options	849	2	-	2
Shares issued on exercise of SAYE scheme options	65	-	92	92
At 30 June 2017	113,891	228	92	320
Opening balance as at 1 January 2017	112,977	226	84,366	84,592
Reclassification of share premium as retained earnings	-	-	(84,366)	(84,366)
Shares issued on exercise of SAYE scheme options	943	2	1,265	1,267
Shares issued on exercise of CIP scheme options	849	2	-	2
At 31 December 2017	114,769	230	1,265	1,495
Opening balance as at 1 January 2018	**114,769**	**230**	**1,265**	**1,495**
Shares issued on exercise of SAYE Scheme options	153	1	214	215
Shares issued on exercise of LTIP scheme options	128	-	244	244
At 30 June 2018	**115,050**	**231**	**1,723**	**1,953**

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.

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, on 28 January 2016, 9,285 shares were issued in respect of options exercised under this scheme and on 17 May 2016 4,285 shares were issued in respect of options exercised under this scheme. During the year to 31 December 2017, a further 13,216 shares have been exercised under this scheme.

On 28 March 2017, the Company made a block listing application to the London Stock Exchange for admission of 250,000 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. During the year to 31 December 2017, 187,309 shares were issued in respect of options exercised under this scheme. During the period to 30 June 2018, 2,308 shares were issued in respect of options exercised under this scheme.

On 28 November 2017, the Company made a block listing application to the London Stock Exchange for admission of 855,000 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. During the period to 31 December 2017, 682,537 shares were issued in respect of options exercised under this scheme. During the period to 30 June 2018, 150,744 shares were issued in respect of options exercised under this scheme.

On 14 June 2017, by way of a special resolution passed at the Annual General Meeting of the Company, it was resolved that share premium of £84,366,271 be cancelled and reclassified as retained earnings.

12 Interest-bearing loans and borrowings

	30 June 2018 £'000	30 June 2017 £'000	31 December 2017 £'000
Non-current Liabilities			
Finance lease liability	-	34	14
Secured bank loans	69,418	69,127	69,274
	69,418	69,161	69,288
Current Liabilities			
Current portion of secured bank loans	-	-	-
Total	**69,418**	**69,161**	**69,288**

The Group has a £80m revolving credit facility in place with Barclays Bank plc, DNB Bank ASA and The Royal Bank of Scotland PLC, of which the Group has drawn down £70m. In 2015, the Group extended the term of the existing revolving credit facility by a further 2 years from 30 June 2018 to 30 June 2020. Transaction costs incurred as part of the original debt facility and the extension were capitalised and will be amortised over the loan period.
As at 30 June 2017, 31 December 2017 and 30 June 2018 the margin applicable to the interest rate on the facility was 1.5%.

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 re-drawing unless cancelled.

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.

To mitigate the Group's exposure to interest rate risk, the Group has entered into interest swap agreements.

On 28 December 2017, Lloyds Bank PLC, as arranger, novated its portion of the loan to DNB Bank ASA whilst remaining agent and security agent.

During the period the swap agreement held with Royal Bank of Scotland PLC and DNB Bank ASA expired. No further swap agreements have been entered into.

Bank	Interest rate %	Expiry date	Notional amount £'000	**Fair value at 30 June 2018 £'000**	Fair value at 31 December 2017 £'000	Fair value at 30 June 2017 £'000
Royal Bank of Scotland PLC	1.711	29/06/2018	25,000	**-**	(145)	(313)
DNB Bank ASA	1.711	29/06/2018	25,000	**-**	-	-
Lloyds Bank PLC	1.711	29/06/2018	25,000	**-**	(145)	(313)
DNB Bank ASA	1.698	30/06/2020	50,000	**(744)**	-	-
Lloyds Bank PLC	1.698	30/06/2020	50,000	**-**	(845)	(858)
				(744)	(1,135)	(1,484)

The net movement in unrealized gains/(losses) on interest rate swaps in the year gives rise to a gain of £101,000 (H1 2017: gain of £428,000) in the current period. As a result of the expiration of swaps described above, realised gains of £291,000 (H1 2017: nil) were recognised in the current period.

13 Earnings per share

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

	30 June 2018 000's	30 June 2017 000's	31 December 2017 000's
Weighted average number of ordinary shares at 30 June/31 December (Basic)	**114,923**	**113,367**	**113,664**
Effect of Co-Investment plan	-	166	83
Effect of Save as you earn plan	20	304	320
Effect of Share incentive plan	2	96	111
Effect of Shadow save as you earn plan	-	3	3
Effect of Shadow share incentive plan	-	2	2
Effect of Long term incentive plan	243	271	627
Weighted average number of ordinary shares at 30 June/31 December (Diluted)	**115,188**	**114,209**	**114,810**

13.1 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	Number of shares (Basic) 000's	Basic Earnings per Share	Number of shares (Diluted) 000's	Diluted earnings per share
30 June 2018	**5,605**	**114,923**	**4.88p**	**115,188**	**4.87p**
30 June 2017	5,217	113,367	4.60p	114,209	4.57p
31 December 2017	11,938	113,664	10.50p	114,810	10.40p

13.2 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 that are one-off in nature, significant and distort the Group's underlying performance.

	Earnings £'000	Number of shares (Basic) 000's	Basic Earnings per Share	Number of shares (Diluted) 000's	Diluted earnings per share
30 June 2018	**6,760**	**114,923**	**5.88p**	**115,188**	**5.87p**
30 June 2017	6,721	113,687	5.93p	114,209	5.88p
31 December 2017	15,094	113,664	13.28p	114,810	13.15p

Underlying earnings of £6.8m (H1 2017: 6.7m) are attributable to the Parent of the Group and have been calculated as underlying profit before Tax less the loss of £147,000 (H1 2017: £12,000) attributable to the Non-Controlling Interest.

14 Retirement Benefit Obligations

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.

At 30 June 2018, the net liability on the defined benefit scheme decreased to £1.9m from a net liability of £3.8m at 31 December 2017 (30 June 2017: £4.5m liability).

The fair value of the assets at 30 June 2018 were £88.6m (31 December 2017: £92.1m, 30 June 2017: £91.9m). The defined benefit obligation at 30 June 2018 was £90.5m (31 December 2017 £95.9m, 30 June 2017: £96.4m).

The service cost for the six month period was £nil as the scheme was closed to future accrual in August 2014 (31 December 2017: nil, 30 June 2017: nil), the net interest expense on the defined benefit liability was nil (31 December 2017: £0.1m, 30 June 2017: nil) and employer contributions were £0.3m (31 December 2017: £0.6m, 30 June 2017: £0.3m).

The gain on remeasurement of the defined benefit pension scheme recognised in other comprehensive income for the six-month period was £1.6m (31 December 2017: £1.1m gain, 30 June 2017: £0.6m gain). The gain on remeasurement of the defined benefit pension scheme is a combination of the gain based on changes in financial assumptions, offset by a return on scheme assets less than the discount rate applied. The gain as a result of financial assumptions was £3.7m for the six month period to 30 June 2018 (31 December 2017: £1.5m loss, 30 June 2017: £0.5m loss).

The financial assumptions used were:

	30 June 2018	31 December 2017	30 June 2017
Discount rate	2.40%	2.55%	2.50%
Retail price inflation	3.25%	3.35%	3.30%
Consumer price inflation	2.25%	2.35%	2.30%
Salary increases	N/A	N/A	N/A

15 Related party transactions

There have been no related party transactions during the period other than the compensation of key management personnel.

16 Non-Controlling Interest

Summarised consolidated financial information in respect of Goshawk Communications Limited, which has a material non-controlling interest, is set out below. The summarised financial information below consolidates Goshawk Communications (UK) Limited and represents amounts before other intragroup eliminations.

Goshawk Communications Limited

	30 June 2018 £'000	30 June 2017 £'000
Current Assets	64	4
Non-Current Assets	3	2
Current Liabilities	(137)	(44)
Non-Current Liabilities	(560)	-
Equity attributable to the owners of the Group	(421)	(16)
Non-Controlling interests	(209)	(22)

	30 June 2018 £'000	30 June 2017 £'000
Revenue	-	10
Expenses	(442)	(49)
Total Comprehensive (Loss) for the year	(442)	(39)
Attributable to:		
Owners of the Group	(295)	(27)
Non-controlling interests	(147)	(12)

17 Dividends

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

	30 June 2018 £'000	31 December 2017 £'000	30 June 2017 £'000
Interim dividend for the year ended 31 December 2017 of 3.9p (2016: 3.7p) per share	**-**	4,447	-
Final dividend for the year ended 31 December 2017 of 7.5p (2016: 7.2p) per share	**8,666**	8,197	8,197
Total dividends recognised in the period/year	**8,666**	12,644	8,197
Proposed interim dividend for the year ended 31 December 2018 of 4.1p per share	**4,717**	-	-

The final dividend for the year ended 31 December 2017 was declared on 15 March 2018 and paid on 30 June 2018. The interim dividend was declared on 11 September 2018 and has not been included as a liability in these condensed interim financial statements. The dividend is payable to all shareholders on the Register of Members on 12 October 2018. The total dividend to be paid is 4.1p per share. The payment of this dividend will not have any tax consequences for the Group.

18 Alternative performance measures

The Directors of the Group have presented a number of additional performance measures which they believe are relevant to an understanding of the Group's financial performance which are not defined in IFRS and are therefore termed 'non-GAAP' measures. The Group's definition of these terms may not be comparable with similarly titled performance measures and disclosures by other entities. Such non-GAAP measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

EBITDA

EBITDA is defined as the Group profit or loss before depreciation, amortisation, net finance expense and taxation.
Underlying EBITDA is defined as EBITDA, adjusted for the specific items listed below. EBITDA is a common measure used by investors and analysts to evaluate the operating financial performance of companies, particularly in the telecommunications sector. The Directors consider EBITDA and underlying EBITDA to be useful measures of operating performance. This presentation is consistent with the way that financial performance is measured by management and reported internally and assists in providing a meaningful analysis of the trading results of the Group.

A reconciliation from Group Operating Profit, the most directly comparable IFRS measure, to EBITDA and Underlying EBITDA is provided below.

	2018 £'000	**2017 £'000**
Operating Profit	**6,164**	**5,880**
Depreciation and Amortisation	4,698	4,783
Reported EBITDA	**10,862**	**10,663**
Transformation costs	1,122	1,902
Acquisition costs	-	30
Product launch costs	424	-
Underlying EBITDA	**12,408**	**12,595**

Underlying operating profit and underlying profit before tax

Underlying operating profit and underlying profit before tax are based on equivalent IFRS reported measures from the consolidated statement of comprehensive income, adjusted for specific items listed below.

A reconciliation from Group operating profit, the most directly comparable IFRS measure, to underlying operating profit and a reconciliation from Group profit before tax, the most directly comparable IFRS measure, to underlying profit before tax is provided below.

	2018 £'000	**2017 £'000**
Operating Profit	**6,164**	**5,880**
Acquisition costs	-	30
Transformation costs	1,122	1,902
Product launch costs	424	-
Underlying operating profit	**7,710**	**7,812**

	2018 £'000	**2017 £'000**
Profit before tax	**5,458**	**5,205**
Acquisition costs	-	30
Transformation costs	1,122	1,902
Product launch costs	424	-
Net (profit) on interest rate swaps	(391)	(428)
Underlying profit before tax	**6,613**	**6,709**

Underlying operating cash flow

Underlying operating cash flow is based on the equivalent reported measure from the consolidated statement of cash flows, cash flow from operating activities, adjusted for the cash impact of specific items listed below.

June **June**

	2018 £'000	2017 £'000
Reported operating Cash Flow[2]	**8,029**	**5,422**
Transformation programme operating cashflows	1,787	4,790
Acquisition costs	-	30
Product Launch costs	319	-
Underlying operating cash flow	**10,135**	**10,242**

[2] Reported operating Cash Flow is referred to as Net cash generated from operating activities in the Condensed Interim Consolidated Statement of Cash Flows

Free cash flow
Free cash flow is defined as net cash generated from operating activities less net cash used in investing activities. Underlying free cash flow is defined as free cash flow, adjusted for the cash impact of specific items listed below. Free cash flow represents the cash that the Group is able to generate from operations after taking into account cash outflows required to maintain or expand its asset base. The Directors consider free cash flow and underlying free cash flow to be important performance measures as they determine the amount of cash available for strategic investments, repayment of debt or distribution to shareholders in the form of dividends.

A reconciliation from net cashflow from operating activities, the most directly comparable IFRS measure, to underlying operating cash flow, free cash flow and underlying free cash flow is provided below

Cash Flow	June 2018 £'000	June 2017 £'000
Reported free Cash Flow	**2,540**	**(110)**
Transformation Programme costs	1,787	4,790
Transformation Programme capital expenditure	1,665	541
Acquisition costs	-	30
Acquisition of Subsidiary	-	2,007
Product launch costs	319	-
Product launch capital expenditure	160	-
Underlying free cash flow	**6,471**	**7,258**

Net debt
Net debt is not a term defined by IFRS but consists of interest bearing loans and borrowings, less cash and cash equivalents, both of which are captions which exist on the statement of financial position. Net debt provides a single measure of the Group's indebtedness and provides an indication of the overall balance sheet strength.

A reconciliation from loans and other borrowings and cash and cash equivalents, the IFRS measures used to calculate Net Debt is provided below.

	June 2018 £'000	June 2017 £'000
Loans and other borrowings	69,418	69,161
Cash and cash equivalents	(5,401)	(7,458)
Net Debt	**64,017**	**61,703**

Underlying earnings per share
Earnings per share, both basic and diluted, are terms which are defined in IFRS. Underlying earnings per share, both basic and diluted are not terms defined by IFRS. They are calculated based upon underlying profit before tax (defined above) and the basic and diluted number of shares as determined for use in the terms defined in IFRS. Note provides the components used in the calculation.

Reported and Underlying EBITDA to cash conversion
Reported EBITDA and Underlying EBITDA are both terms not defined in IFRS. These terms have been defined above. Underlying operating cash flow is based on the equivalent reported measure from the consolidated statement of cash flows, cash flow from operating activities and has been defined above.

Reported EBITDA cash conversion is calculated as cash flow from operating activities divided by Reported EBITDA.
Underlying EBITDA cash conversion is calculated as underlying operating cash flow divided by Underlying EBITDA.

	June 2018 £'000	June 2017 £'000
Cash flows from operating activities	8,029	5,422
Reported EBITDA	10,862	10,663
Reported EBITDA cash conversion	**73.9%**	**50.8%**

	June 2018 £'000	June 2017 £'000
Underlying operating cash flow	10,135	10,242
Underlying EBITDA	12,407	12,595
Underlying EBITDA cash conversion	**81.7%**	**81.3%**

Specific items
Specific items are identified by virtue of their size, nature or incidence. In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

Adjusting measures for specific items assists with comparability of measures between reporting periods, as well as removing volatility or distortions from significant events.

The adjustments made to reported profit before tax and operating profit are income and charges that are unpredictable in nature, significant and distort the Group's underlying performance. For the period ended 30 June 2018 these adjustments included:

- Transformation Programme. In 2016, the Group commenced a programme to transform the business, aimed at improving competitiveness and the customer experience by reshaping the organisation, streamlining processes and investing in supporting technology. As part of this programme, costs of £1,122,000 were incurred to 30 June 2018 (H1 2017: £1,902,000) relating to employee termination benefits, consulting fees and other programme-related costs.

- Acquisition costs. In May 2017, £30,000 were incurred in the acquisition of Goshawk Communications (UK) Limited in May 2017. No such costs were incurred in the current period.

- Unrealised gains and losses on interest rate swaps. In the current period, the Group made a gain on interest rate swap fair value movements of £391,000 (H1 2017: £428,000).

- Product launch costs. During 2018, Goshawk Communications Limited has incurred £424,000 (H1 2017: nil) of expenses which relate to the launch of its hearing loss product. Such costs are only incurred in the launch and are not deemed to be recurring operating costs. They are unpredictable in nature, and inclusion of them would distort the underlying performance of the Group.

  Additionally, there are the following adjustments to reported cash flows from operating activities and free cash flow that are unpredictable in nature, significant and distort the Group's underlying performance:

- Transformation Programme. The Group made cash outflows of £3,452,000 (H1 2017: £5,331,000) in relation to the Transformation Programme operating costs described above and capital expenditure

Product launch costs. During 2018, the Group made cash outflows of £479,000 (H1 2017: nil) relating to the product launch operating costs described above and capital expenditure.

19 Subsequent events

The following significant events occurred after the period end date of 30 June 2018 and prior to the signing of these interim financial statements on 12 September 2018:

- An interim dividend for the period ended 30 June 2018 was declared as in note 17 of the financial statements
- On 6 July 2018, 31,167 shares were issued and allotted to individuals under the Company's "2015 Long Term Investment Plan" following achievement of the performance conditions set on award of the options on 28 January 2016.

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