delivering our vision

manx telecom plc
annual report and accounts
2014

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Manx Telecom is the leading communication solutions provider on the Isle of Man. Our operations touch the lives of almost every individual and business on the Island. In every area of our business, we offer class-leading technology, delivered with a passion and a painstaking dedication to our customers' best interests.

On 10 February 2014, Manx Telecom successfully floated on the Alternative Investment Market of the London Stock Exchange resulting in an initial market capitalisation of £160m.

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

contents

highlights

operational

+4% increase in revenue to £79.3m

Fixed line, broadband and data revenues grew 1.1% driven by good take-up of high speed broadband.

Strong growth of global solutions revenue with a 23% increase as a result of increased wholesale volumes, machine to machine ('M2M') and Strongest Signal Mobile (branded Chameleon) services revenue.

Steady growth in data centre revenues, increasing 2.3%.

Phase 1 of Greenhill Data Centre ('GDC') completed.

4G services launched.

financial

Revenue (£m)

2014	79.3
2013	76.0

Underlying EBITDA (£m)

2014	27.1
2013	27.5

Cash generated (£m)

2014	29.1
2013	28.1

Underlying operating profit (£m)

2014	17.6
2013	18.1

dividend

6.6p
final dividend

9.9p
total dividend, representing a 7% yield for the full year based on the IPO price of 142p

our island & our business

The Isle of Man is a self-governing dependent territory of the British Crown with its own Government, laws and currency but it is closely linked to the UK through a shared history, community and economic development. 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 diversifying 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 29 years of unbroken GDP growth and has 2% unemployment with a clear and simple tax regime.

the manx telecom network

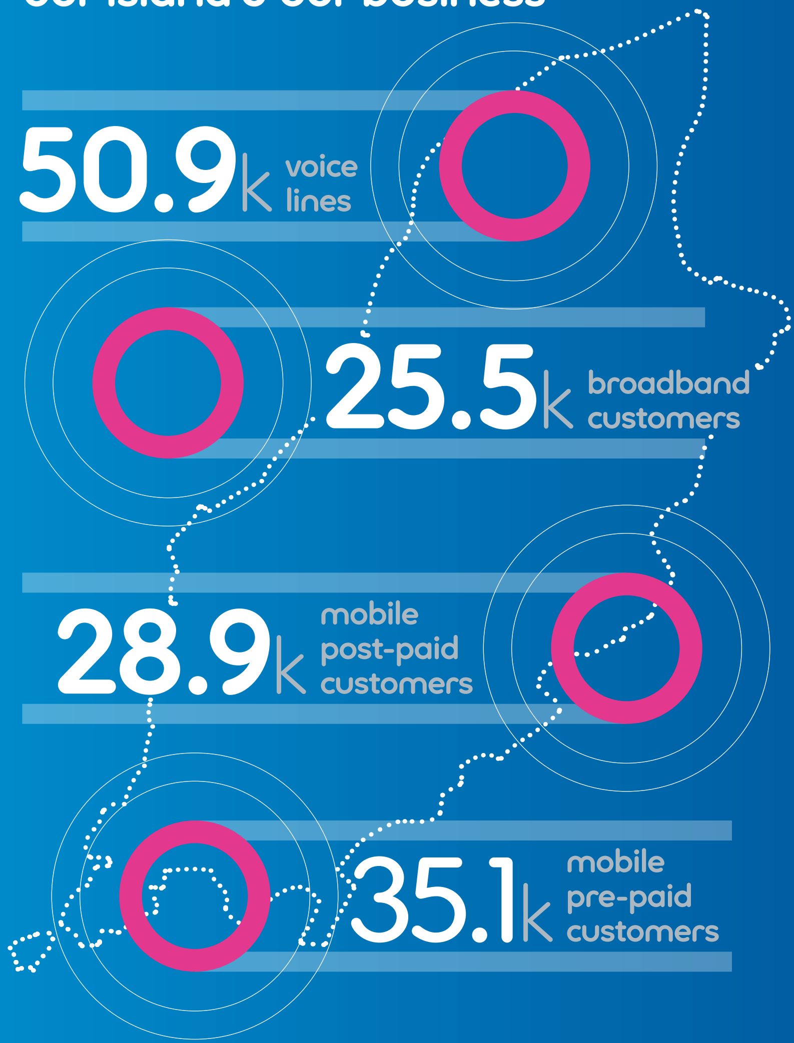
4G Mobile – We launched the Island's first 4G service in the summer of 2014 and now provide high speed mobile broadband to 99% of the Island's population, at speeds up to 10 times faster than 3G.

Broadband – Our VDSL high speed broadband service is available to around 87% 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. 100% of the Island's telephone lines can already obtain ADSL2 Plus fixed line broadband offering speeds of up to 16Mbps download.

Data hosting – Manx Telecom is the only on-island operator with two Tier 3 data centres (and one further data centre) which have full resilience built into every part of their infrastructure, providing a current capacity of 385 racks. Key customers include e-gaming companies, financial services companies and the Isle of Man Government.

Connectivity – We provide world-class private circuit and internet connectivity for customers, both on and off-island. 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.

our island & our business



our key business lines are

Fixed line, broadband and data

We provide fixed line, broadband and connectivity services, connecting approximately 35,000 homes and 4,000 businesses locally and internationally.

Mobile

Our mobile business offers pre-paid and post-paid tariffs to all market segments and also sells mobile handsets and accessories.

Global solutions

Using our mobile technology platform, we enable international wholesale and corporate customers to offer a variety of innovative mobile services using Manx Telecom SIMs.

Data centre

Our data centre business offers co-location, managed hosting, cloud and disaster recovery to an international corporate client base, via three data centres on the Island.

Other services

Includes our telephone directory, hardware equipment, managed services and interconnection fees.

initial public offering

Manx Telecom successfully listed on the AIM market of the London Stock Exchange on 10 February 2014. At the IPO placing price of 142p, the listing was 1.7 times oversubscribed, raising £89.2m before expenses. Proceeds were used to re-finance the Company's balance sheet leaving it well placed to execute its strategy for future growth and to pursue a progressive dividend policy. Over 97.8% of our shares are freely traded and held in the most part by long-term institutional investors.

The process has brought stability and certainty to our ownership and has helped raise our brand profile amongst the business community on and off-island. We also believe that a public Manx Telecom plc is in the interests of the Island as a whole. The Isle of Man Government has expressed a desire to have a well invested telecommunications infrastructure to support its strategy of encouraging business to the Island. In February 2015, we were delighted to announce the renewal of our 'ConnectMann' agreements with the Government, providing them with mobile services to over 3,000 handsets, local area network infrastructure to over 5,500 end customers, wide area networking to over 220 sites, as well as fixed line, internet access and network services.

In March 2015, we were especially pleased to win the 'Best Telecommunications PLC' category of the prestigious UK Stock Market Awards, recognition for a successful first year as a public listed company.

UK STOCK MARKET AWARDS 2015
in association with KPMG cutting through complexity

our approach & our values

We operate from a unique and beautiful Island whose particular mix of legislative, regulatory, and lifestyle attractions make it a special place in which to live, work, and do business. We play our part in that mix by driving forward the Island's communications infrastructure, ensuring that the Isle of Man possesses the telecoms and related technology necessary for a prosperous 21st century economy, and a thriving community.

commitment
Strong market position

+

expertise
Highly skilled local workforce

+

reliability
Quality network and customer service

+

culture
Attractive and affluent local market

+

enterprise
Growth in data centre and off-island businesses

=

our vision
To be the Island's leader in providing high quality, innovative communication services, richly enhancing lives and businesses at home and overseas.

our values
Our values are the most important behaviours and attitudes that our colleagues aspire to in their working lives, to achieve their goals.

our values' ambassadors

Martyn Quayle
MT fixed voice engineer

enterprising

We are a creative and forward thinking organisation with a 'can-do' attitude. Wherever possible we demonstrate an 'entrepreneurial spirit', embracing new ideas and challenging current thinking to find new and better ways of helping our customers. We are resourceful, spirited, enthusiastic and keen. In short, we make things happen.

Richard Kearney
MT network specialist

proactive

At our heart, we are customer-driven, striving to deliver on our promises and trying to keep one step ahead of our customers' immediate needs. Wherever possible, we think beyond the immediate task to look for opportunities to make improvements and refine processes. We are alert, hard working and committed. In short, we are the first to take ownership and responsibility.

Julie Rotheram
MT mobile sales consultant

confident

Our ability, ambition, drive, and determination to be the best that we can be, enables us to deliver excellence in all that we do, both externally to customers and internally to our colleagues. We are positive, commercially assertive, taking credit where it's due. In short, we lead by example.

Jane Smith
MT customer accounts supervisor

trusted

We are proud to be part of a trusted and reputable organisation where everyone acts with integrity in an open and honest way and delivers on promises made. We recognise our heritage and our role in the wider community, where we have always played our part in making a difference. We are dependable, credible, reputable, and community minded. In short, we are a trusted partner.

chairman's statement

I am pleased to report a positive set of results for 2014, which are in line with the Board's expectations.

Revenue continues to show steady growth, along with a small expected decline in EBITDA as a result of the additional costs associated with being a public company. Cash generated from operating activities was strong notwithstanding continued significant investment in the future growth of the business.

The move to public company status continues to be well received by the Isle of Man Government and our customers, providing ownership certainty, greater transparency and more opportunities to grow.

During the year, our domestic business has performed well, with growth in both the core fixed, broadband and data business and also the data centre business. We have continued to invest in our infrastructure, both to facilitate further growth and also to defend our market position. We completed Phase I of our data centre investment programme which has provided an additional 100 racks to our estate, and rolled out a 4G mobile network across the Isle of Man to reach 99% of the population. We have continued the roll out of fibre across the Island and can now reach 87% of homes. More recently, we have announced the roll-out of superfast broadband for 50% of the homes and businesses on the Island, reaching speeds of up to 80Mbps and the launch of 4G to our pre-paid customers. An increased focus on global solutions saw a good return.

The regulatory and economic environment on the Island remains supportive for the growth of the business. The local economy continues to grow, with low levels of unemployment (c.2%) and a continued commitment to maintaining the current policy on taxation (0% corporation tax) and incentives to attract high net worth individuals to the Island.

Our people

The good performance of the business in 2014 is a testament to the excellent customer service, experience and professionalism of everyone involved in Manx Telecom. We launched our first share save scheme to all employees during 2014 and received an excellent take-up of over 80%, enabling the vast majority of our people to benefit from the continued success of Manx Telecom.

Following the recent announcement of Mike Dee's intention to retire in H2 2015 I wish to thank Mike for 31 years' service and commitment to Manx Telecom. He will leave the Company well positioned for the future and recruitment for his successor has commenced.

Dividend policy

The Company paid its maiden interim dividend of 3.3p per share in November 2014 and intends to pay a final dividend of 6.6p on 25 June 2015. The full year dividend of 9.9p represents a 7% yield at the IPO price and is in line with the policy communicated when the Company was admitted to AIM. The shares will trade ex-dividend on 28 May 2015 and will have a record date of 29 May 2015.

As previously stated, the Company intends to operate a progressive dividend policy moving forward taking into account our profitability, underlying growth in earnings and cash flows.

Outlook

The Company remains committed to our dual strategy of defending our significant on-island presence, whilst seeking off-island opportunities to exploit and leverage our data centre and mobile infrastructure.

After a slower than anticipated start, demand for our data centre services has increased and we have signed an agreement with an anchor tenant for our data centre Phase II expansion.

2014 was a particularly strong year for global solutions and we do not expect this area to record the same level of growth in 2015, however we remain encouraged by its growth potential.

We continue to invest significantly in our on-island infrastructure, demonstrating our continued commitment to the Island community.

We remain committed to delivering a progressive dividend in 2015 and confident in the longer term growth prospects of the business.

Kevin Walsh
Non-Executive Chairman

"The Company remains committed to creating shareholder value through our dual strategy of defending our significant on-island presence, whilst seeking off-island opportunities to exploit and leverage our data centre and mobile infrastructure. During 2014, we successfully followed this strategy and will strive to do the same through 2015.

We are delighted to be paying a final dividend of 6.6p, meeting the commitment given when the Company was admitted to AIM in February 2014. Together with the interim dividend, this constitutes a 7% yield for the full year based on our IPO placing price of 142p.

Following the recent announcement of Mike Dee's intention to retire in H2 2015 I wish to thank Mike for 31 years' service and commitment to Manx Telecom. He will leave the Company well positioned for the future and recruitment for his successor has commenced."

2014 highlights

+4.2%
revenue increase

+3.6%
increase in cash generation

6.6p
final dividend

7%
dividend yield on 142p IPO placing price

+80%
employee share scheme take-up

ceo's review

Looking back at our achievements in 2014, I am pleased to say that we had a very busy and successful year.

2014 highlights

+5%
growth in broadband revenues

87%
VDSL high speed broadband coverage

+5%
increase in mobile post-paid average revenue per user ('ARPU')

99%
4G population coverage

+22.8%
growth in global solutions revenues

“We have made good progress over the year, with revenue growth driven by strong sales in global solutions, as well as positive take-up of high speed broadband on the Island. After a slower than anticipated start, the Greenhill Data Centre now has a number of new local customers ready to move in. This, and the continuing success of 4G, gives us confidence in the year ahead.”

Following the IPO in February 2014, we have continued to focus on our core business of providing a wide range of communications services to consumers, businesses and the public sector on the Isle of Man. We have also continued to expand our data centre footprint and have had success in the local market for high value managed services contracts.

Our global solutions business continues to show good growth, utilising our various mobile virtual network operator ('MVNO') and international roaming relationships to address the international traveller market, as well as exploiting the opportunities arising from the increasing penetration of connected devices in the M2M market.

We continue to focus on providing a superior customer experience which, coupled with a reliable and trustworthy reputation, has enabled us to retain high market share in the local fixed, broadband and mobile markets despite increased competition.

Overall revenue has grown by 4.2% in the year driven primarily by growth in the global solutions business, helped by our move into managed services and an increased sales focus.

EBITDA of £27.1m has decreased by 1.5%, as expected, due to the additional costs of being a public company. There has been a slight decline in EBITDA margin in the year, mainly driven by the mix of business within global solutions, with an increase in sales of lower margin wholesale voice and SMS. We remain committed to focusing on higher margin business across the Group, with an emphasis on sales of Chameleon SIMs and M2M within global solutions and a drive towards managed hosting sales within the data centre business.

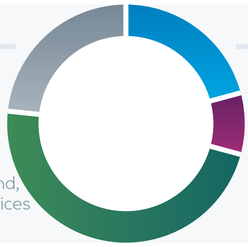
Cash generation remains strong and we remain committed to a progressive dividend policy.

We have been successful in meeting our targets for key capital projects in the year including completion of Phase I of the new data centre and the launch of all Island 4G coverage. We have achieved this within the capital budget set at the start of the year. The 4G launch has been highly successful with take up and usage exceeding our initial expectations. Pre-paid 4G services were launched in early 2015.

Whilst the contracts and associated revenues for Phase I of GDC have taken longer than expected to complete, we have now successfully signed new contracts with key corporate customers and the Government, and as a result have started to generate data services revenues from this increased capacity. We are looking to develop Phase II of the data centre later in 2015, given we now have an agreement signed with an anchor tenant.

Revenue	2014 £'000	% Total revenue	2013 £'000	% Total revenue	YonY %
Fixed, broadband and data	31,338	39.6	30,985	40.8	1.1
Core mobile	18,357	23.2	19,195	25.2	–4.4
Data centre	6,607	8.3	6,461	8.5	2.3
Global solutions	16,669	21.0	13,576	17.9	22.8
Other	6,283	7.9	5,812	7.6	8.1
Total revenue	**79,254**		**76,029**		**4.2**

Total revenue – 2014 (%)



ceo's review

continued

Fixed, broadband and data services

The fixed, broadband and data services business is the largest business by revenue contribution, and delivered solid revenue growth in the period, with revenues up by 1.1% to £31.3m (FY13: £31.0m).

This part of the business provides fixed line voice, broadband and connectivity services to both residential and business customers, connecting approximately 37,000 homes and over 4,000 businesses. At December 2014 the Company provided approximately 50,900 voice lines. Broadband customers have access to ADSL and high speed VDSL broadband services throughout the Island via a high quality copper and fibre network.

At December 2014 Manx Telecom had approximately 25,500 retail broadband customers with the total broadband base being approximately 32,000 customers.

Manx Telecom also delivers connectivity solutions which can include voice, data and video services.

The ongoing roll out of high speed broadband resulted in total broadband revenues growing 5% in the year. This was partly due to an increase in broadband lines but also due to upsell from basic to high speed broadband. We expect further growth in take up of higher speed broadband in the year ahead.

Despite continuing increases in line rental charges, core fixed revenues fell 1% this year as call usage continues to reduce.

Data services grew by approximately 1% this year with further growth expected as customers come online in the new data centre.

Mobile

The Mobile business offers a combination of pre-paid and post-paid tariffs, addressing all market segments and utilising 2G/3G and, since July 2014, 4G technology. It also sells mobile hardware (handsets and accessories) via the Manx Telecom retail outlet and online. The business continues to retain a majority market share on the Island, serving a substantial proportion of the available customer base.

Mid-way through the year the Group replaced the existing 2G and 3G radio access equipment and introduced new 4G services, giving enhanced speeds and data services across the Island. The introduction of new 4G services has been well received and our early progress is ahead of our major competitor, which introduced its first 4G service in late February 2015, seven months after our launch.

We have been encouraged by the positive uptake of 4G by our customers and the high volume of data that they are consuming. 4G is available on 99% of the Island and, on average, a Manx Telecom customer uses two and a half times more data on 4G than they did on 2G or 3G previously. We expect rises in both data usage and volume to continue as smartphone penetration increases among our customer base.

The 4% fall in mobile revenues in the year is primarily due to a fall in mobile termination rates in accordance with the glide path agreed with the regulator (ending in 2015).

As at December 2014, we had approximately 35,100 pre-paid customers (FY13: 36,000) and 28,900 post-paid customers (FY13: 28,700). The introduction of 4G and general up-sell of data packages has contributed to a 5% increase in post-paid ARPU in 2014 whilst pre-paid ARPU has remained flat.

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 ranked as Tier III 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').

The business has generated revenue growth of 2.3% to £6.6m (FY13: £6.5m) in 2014. This level of growth is lower than initially expected due to it taking longer than expected to finalise contracts for the new capacity added in the year. In 2015, demand has already picked up and we have a number of local companies set to move into the GDC over the next few months. This includes the Isle of Man Government which has been confirmed as the anchor tenant for Phase I of the GDC having signed a five year contract from 1 February 2015. A signed agreement with another significant anchor tenant means that we are looking to start development of GDC's Phase II extension later in 2015.

Global solutions

The global solutions business generates revenue from services which run on our domestic mobile technology platform and international roaming agreements. These enable us to offer a variety of products to UK and international partners utilising Manx Telecom SIM cards.

These revenues arise from four key areas, wholesale voice and SMS, international traveller market, M2M and strongest signal roaming (Chameleon).

Global solutions revenues have grown by 22.8% to £16.7m (FY13: £13.6m) driven by strong growth in lower margin wholesale voice and SMS, and to a lesser extent, M2M, which doubled revenue in the period. A drop in termination rates means that the wholesale voice and SMS growth shown in 2014 is not likely to be continued into 2015 and the focus will be on growing the higher margin contribution from Chameleon and M2M. We have continued to focus on these areas in terms of technical and sales/commercial expertise, resulting in high customer satisfaction and a positive outlook for 2015.

Other revenues

Other revenues include the advertising revenue from the Manx Telecom telephone directory, hardware equipment sales, interconnection fees from other operators and managed services.

Other revenue increased by 8.1% in the year to £6.3m (FY13: £5.8m). Growth was driven by a 36% increase in hardware equipment sales and continued success in managed services, with revenue growth of 3%. This performance more than compensates for the continuing and expected decline in directory advertising revenues, which saw turnover decrease by 6% in the period.

Summary

In summary, this is a pleasing set of results, with revenue and cash generation, and EBITDA in line with the Board's expectations.

We continue to focus on providing a high quality and innovative service to our local customer base. Our commitment to continuing investment has also been well received by the Isle of Man Government, which has recognised this by recently renewing a number of agreements with the Company.

We are looking forward to the revenue streams from new GDC customers coming through early in 2015 and will continue to focus on attracting business for Phases II and III of GDC's expansion. We will continue to focus on our global solutions business as well as seeking new opportunities to expand our business using our core strengths in terms of network, people and customer service.

Mike Dee
CEO of Manx Telecom

key achievements 2014

10 February
Admission to AIM and first day of dealing.

18 February
We won a prestigious silver award in the Design Business Association ('DBA') Design Effectiveness Awards for our brand and identity refresh.

28 March
The first phase of our new Greenhill Data Centre opened for business.

1 April
Our Business Development team was rebranded global solutions, more accurately reflecting the scope and scale of their growth.

6 May
We announced that superfast VDSL broadband would be available to 87% of homes and businesses on the Island by year-end.

3 July
The Chief Minister, Hon Allan Bell MHK, supported the launch of our new Distributed Denial of Service ('DDoS') platform.

17 July
The 'Manx Missile', Mark Cavendish MBE was announced as an ambassador for our 4G service.

29 July
4G services were launched to post-paid customers.

16 October
We announced our intention to launch a new superfast fixed line broadband service based on VDSL Plus technology in early 2015.

12 December
The launch date of our 4G service for pre-paid customers was announced.

our strategy

Maintain our leading position in core markets by innovating and maintaining the highest levels of customer service.

Grow by exploiting new market opportunities on-island and off-island with our market leading mobile platform and data centre capability.

Business lines	2014 review
Fixed line, broadband and data	– 50,900 voice lines and 25,500 broadband customers at year-end. – Increase in high speed VDSL broadband coverage to 87% of homes on the Island. – Positive uptake of Manx Telecom 'Ultima' VDSL service; 4,500 customers at year-end and market share of 82%. – Introduction of Carrier Pre-select services to fixed line market.
Mobile	– 35,100 pre-paid and 28,900 post-paid customers at year-end. – Successful launch of 4G services to post-paid customers in July; the Island's first and at year-end, only 4G network, providing 99% population coverage. – Upgrade of 2G and 3G services in summer to the benefit of all mobile customers. – Improving churn levels in the second half of the year as a direct result of our network improvements.
Global solutions	– Strong growth in all global solutions segments across the year delivering a 23% increase in revenue. – Gradual decline in lower margin wholesale voice and text revenues in the second half of the year, expected to continue. – Increasing interest to 'Critical connection' solutions; driven in part by political lobbying on UK coverage 'not-spots'.
Data centre	– Launch of our third data centre; the Tier III Greenhill Data Centre ('GDC') in Douglas, Isle of Man, providing a capacity of 385 racks across all sites. – Good interest and pipeline growth throughout 2014.

2015 plan

- Launch of 'VDSL Plus' superfast fixed line broadband service offering speeds of up to 80Mbps (download) and 10Mbps (upload) to around 50% of homes and businesses on the Island.
- Continued re-balancing of fixed line rental and call charges.
- Further growth in our broadband business through upselling to higher speed packages.

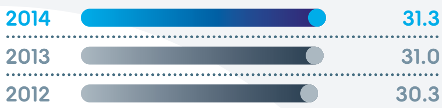
- Launch of 4G services to pre-paid mobile customers.
- Continued upselling of customers to mobile smartphone plans, inclusive of 4G data.
- Further optimisation of our 2G, 3G and 4G networks to ensure we remain 'best for data'.
- Upgrade of our billing and customer care systems to 'convergent' capability, providing customers with more flexible and dynamic tariff plans.

- Continued growth in critical connection solutions, especially in machine 2 machine ('M2M') and strongest signal roaming (branded Chameleon) sectors.
- Existing Mobile Virtual Network Enabler ('MVNE') partnerships forecast to grow through new roaming agreements.
- Further growth in unique Mobile Virtual Network Operator ('MVNO') agreements, especially in the UK.

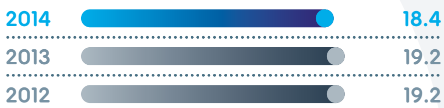
- Announcement of our first major 'anchor tenant' in the GDC.
- Development of the second phase of GDC offering further capacity to fuel demand.
- Further uptake of data services connectivity by new data centre customers.
- Launch of our first data centre hosted 'managed services' solutions.

Revenue performance

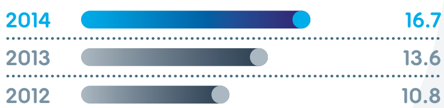
Fixed line, broadband and data (£m)



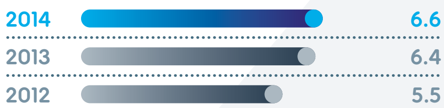
Mobile (£m)



Global solutions (£m)



Data centre (£m)



maintain

Mobile
Our 4G service now provides superfast mobile broadband coverage to 99% of the Isle of Man population. One person to benefit immediately was Paul Moulton, the person behind MTTV, the Island's local online news and entertainment channel. When an important news story is in progress, Paul regularly uses Manx Telecom's 4G service to upload an HD video file directly to the MTTV servers from the 'field', meaning the local community is always up to date with the latest news.

High speed broadband

Our Ultima and Ultima Plus broadband services allow our customers to connect to the internet at up to 80Mbps downstream and 10Mbps upstream. In early 2015, we were delighted to welcome our 5,000th customer to the Ultima range.

Data centre

After a competitive tender, we were delighted to welcome an anchor tenant to the new Greenhill Data Centre. The Isle of Man Government signed a five year contract for 25 racks, meaning equipment previously housed in their own premises and used to support frontline Government services, is now hosted by Manx Telecom.

grow

Global solutions

One of our most innovative global solutions customers is Matrix, the leading supplier of unique roaming solutions to international travellers from India. Over the last two years, we have supplied SIM cards to Matrix, which ensure their customers always receive the best possible local call rates in the country they are in, appealing to Indian, leisure and business travellers.

financial review

Group revenue increased by 4.2% to £79.3m (2013: £76.0m), with growth in our core on-island fixed, broadband and data business, supplemented by good growth in our global solutions, data centre and other revenue streams.

The fixed line, broadband and data business remained steady, with revenue growth of 1.1% to £31.3m (2013: £31.0m). global solutions performed well in 2014 with growth of 23% to £16.7m (2013: £13.6m). The data centre business was also steady at £6.6m (2013: £6.5m), with growth lower than initially anticipated due to a delay in the signing of new customer contracts. Mobile revenues declined, in line with expectations, to £18.4m (2013: £19.2m) primarily due to as anticipated changes to termination rates. Other revenues were £6.3m (2013: £5.8m) following an increase in kit sales during the year.

The Group generated underlying EBITDA of £27.1m (2013: £27.5m), in line with expectations. This was lower than the previous year due to the increased cost of being a public company. The Group's EBITDA margin decreased to 34.2% (2013: 36.1%) due to a change in product mix during the year, particularly within global solutions which delivered strong sales of lower margin wholesale voice and SMS.

Depreciation and amortisation was £9.5m (2013: £9.3m) which includes charges for network infrastructure (fixed network, broadband network and mobile network) as well as IT equipment and office equipment.

Underlying operating profit reduced by 2.8% to £17.6m (2013: £18.1m) before a one-off impairment of equipment and a one-off pension adjustment following the closure of our defined benefit pension scheme to future accruals.

We recorded an impairment of equipment of £0.6m in relation to the write down of our pre-paid mobile platform and elements of our fixed voice network which are being replaced in 2015.

Following the closure of our defined benefit pension scheme to future accruals we recorded a one-off non-cash credit of £7.0m which partially offset previous years' losses. This was in turn offset by a cash payment of £0.8m to transition members to our defined contribution pension scheme.

Underlying profit before tax increased by 77.1% to £12.9m (2013: £7.3m) primarily due to lower interest charges following the reduced level of debt post IPO.

Underlying diluted EPS was 12.17p, in line with expectations – based on total outstanding shares as at 31 December 2014 of 112,959,787. It is worth noting that FY 2013 EPS of 14.69p was calculated under the previous private equity capital structure and as such reflects a very different capital structure to the one now in place.

The Company paid a maiden interim dividend of 3.3p in November 2014 and it will pay a final dividend of 6.6p in June 2015.

Costs

Costs (excluding costs associated with the IPO, finance costs and pension reorganisation costs) increased by 2.7%, or £1.7m, in the year. The main component of costs is staff, whose cost increased by 3.1% in the period, and included bonus payments based upon the successful achievement of targets across the Group.

Roaming costs increased by 22% in the year, driven by the continued success of our global solutions business. Energy costs were flat during 2014 reflecting slower than expected initial occupancy of our new data centre. Mobile handset costs were 4% lower due to iPhone 6 supply constraints over the Christmas period, whilst maintenance charges increased 14% primarily due to our Next Generation Network ('NGN') completing its warranty period.

Net finance costs

Net finance costs were £8.4m (2013: £15.9m) including interest payments on bank facilities of £2.9m (2013: £7.1m), and interest payable on shareholder loan notes of £0.3m (2013: £3.9m).

Also included within the finance costs was a £4.6m charge against previously capitalised transaction charges, following the changes to financing arising from the IPO in February 2014.

One off costs associated with the IPO and related restructuring, charged to the income statement, were £8.0m.

We recorded a net loss of £1.3m on interest rate swaps, of which £0.3m related to the early cancellation of an interest rate swap in relation to the pre-IPO debt and an unrealised loss of £1.0m on interest rate swaps, having hedged £50m of our £70m gross IPO debt through its maturity in June 2018 at an all-in rate of 3.7% per annum.

Taxation
There is no corporate taxation payable on our profits for either 2014 and the comparative year. We have the benefit of an Isle of Man 0% corporate tax rate.

Cash flow
Cash generated from operating activities increased by 3.6% to £29.1m, (2013: £28.1m). This represents an underlying EBITDA cash conversion of 107% (2013: 102%), the improvement driven primarily by good working capital management. The Company reported a working capital inflow of £1.6m, which included an accrual for final payments for 4G of £3m, due in 2015.

Our free cash flow after investing activities was 7.5% lower at £14.8m (2013: £16.0m), out of which we serviced our borrowings, financed our IPO and paid our maiden dividend to shareholders.

Good cash generation enabled us to reduce our net debt to £53.7m, equivalent to 1.98 times Adjusted EBITDA.

Capital expenditure
Capital expenditure for 2014, including intangibles, was £12.6m (2013: £10.0m), and included a £3m accrual for our 4G mobile network relating to final payments due in 2015. Adjusting for the 4G accrual, capital expenditure including intangibles was £9.6m.

Significant capital expenditure in the period included the launch of the 4G mobile network and completion of Phase I of our new data centre in March 2014 which cost £3.6m (£1.5m paid in 2014). We were pleased to receive a £0.3m grant from the Isle of Man Government by way of support for this investment.

The remaining capital expenditure was spread across a number of business areas including network enhancements, IT and customer projects.

Balance sheet
Property, plant and equipment increased during the year by £2.5m to £65.1m primarily due to the completion of our 4G mobile network project in 2014. Capital expenditure, including intangibles, of £12.6m exceeded depreciation of £9.3m but included an accrual for the completion of the 4G mobile network of £3.0m.

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 IAS19 the defined benefit scheme is shown as an asset of £2.2m (2013: £6.4m liability), in contrast to the previous full actuarial valuation which was completed in March 2014 and showed a deficit of £7.7m.

Current assets increased to £32.7m (2013: £31.9m). Cash held at the end of the period, increased to £15.2m (2013: £13.5m). Trade receivables improved by £0.5m due to lower prepayments and an increase in the provision for bad debts.

Current liabilities increased to £27.5m (2013: £25.8m) primarily due to a provision for final payments for the 4G mobile network. In September 2014 the Company entered an interest rate swap which covered £50m of its banking debt (£70m) through to its maturity in June 2018. The fair value of the interest rate swap was a £1.0m liability (2013: £0.6m asset).

Non-current liabilities reduced significantly to £68.9m (2013: £153.1m) primarily following the IPO in February 2014. Borrowings and interest payable were £68.9m (2013: £115.7m), following the repayment of the debt which was in place pre-IPO and entry into a new £70m facility. All shareholder loans were repaid on admission to AIM.

Net debt ended the period at £53.7m down from £134.1m at the end of 2013, following the capital raise at IPO, subsequent repayment of bank and shareholder debt and entry into a new banking arrangement as a public company, establishing a more conservative capital structure for the Company than under previous ownership.

During 2014 we issued a number of free shares to our workforce and introduced a share save scheme open to all employees. We are very pleased to report that over 80% of our workforce entered the share save scheme.

Gary Lamb
Finance Director

risk management

Risks are identified and managed through our Risk Management Framework (see below), which ensures that the impact of any specific risk is mitigated appropriately.

The review of the business at IPO helped us confirm that the processes for the identification and managing of the business risks were robust, and had identified most of the risks that the business was open to, and specifically the key risks to the business.

Our Risk Management process involves managers at all levels of the organisation, and is supported by the internal audit function, and other independent bodies, to systematically identify and quantify business risks, as we perceive them. This includes specific focus upon health, safety, environmental, security, and any other areas of standards or compliance.

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

The Board

The Board has overall responsibility for ensuring that the Group maintains sound internal control and risk management systems, as well as reviewing the effectiveness of those systems. In order to do this, the Board receives regular reports from senior management, the Internal Audit team and the external auditors, via the Audit Committee, on the effectiveness of the systems of internal control and risk management. The Board is satisfied that the systems are embedded within the day-to-day activities of the business and cover all material controls, including financial, operational and compliance controls and that the Group continues to be compliant with the provisions of the UK Corporate Governance Code relating to internal control.

Risk Committee

The Risk Committee consisting of senior management representatives from across the Group, has been established to consider all types of risk, and meets on a regular basis. Input is received from around the business, and from external sources to inform on progress with risk action plans, and to ensure that new and emerging risks are identified and monitored.

Business areas – management team

Risk identification and analysis.

Working with middle management and team leaders to identify and quantify principal areas of risk.

Group Risk Coordinator

Leadership team – review and prioritisation

The leadership team review and challenge the findings of the Management Team.

Review of the impact and probability of risks supports informed decision making regarding prioritisation and mitigation strategies.

Executive Committee

Audit Committee – oversight and control

Risk Register is reviewed periodically.

Suitability of controls and mitigations is validated, and where necessary Internal Audit and other independent bodies as appropriate will provide further assurance.

Audit and Risk Committees

Main Board – review

Review and Confirmation by the Board to ensure that the Risk Management Framework acts effectively to mitigate risks appropriately.

Board

principal risks

Risk	Impact	Mitigation
Regulation	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 would be a significant risk to the business.	We remain committed to open dialogue with the regulator so that we work together to support the continuing growth of the economy, through investing in the business to support the introduction of new and innovative products.
Increased competition	Competition in the domestic and wider markets has the potential to significantly impact our revenue streams. To date we have successfully maintained a strong domestic market share of more than 75% in areas where we face competition.	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. We regularly benchmark product pricing against domestic competition, and against other markets to ensure that our strategy remains effective.
Legislative change (tax)	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 little opportunity to directly influence Government Policy or legislation, although we communicate our position through regular discussion with members of the legislature, and we actively support current government policy by working with the Government to attract new business to the Island.
Technology	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, the impact is likely to be felt beyond any initial revenue loss, and is 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.
Pension	The Group supports a defined benefit pension scheme for some employees which has been closed to future accrual. Market conditions and investment strategies will continue to impact the schemes assets and could materially impact the ability of the scheme to meet its liabilities.	Regular review of the scheme's assets and liabilities 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.

Changes in the year	Risk level
The opening of the new data centre, and the launch of mobile 4G services have served to reinforce our commitment to the Island, and discussions with the Isle of Man Communications Commission have progressed towards the introduction of a wholesale fixed line product.	Stable
Our principal competitors have continued to focus their efforts on gaining market share, although the impact to the Group has been marginal. During the year the regulator announced a roadmap for the introduction of wholesale products in the fixed line market, although alternative calling products have been available for several years. This was expected and we are working with the regulator towards a launch.	Stable
Clear focus on attracting new business to the Island remains a high priority for the Isle of Man Government, and during the year the Group has actively supported inward investment through a joint presence at trade shows.	Stable
During the year the Group has reviewed and refined the technology investment strategy to support the continuing reduction in technology risk. This strategy has been approved by the Board.	Decreasing
During 2014, the Group worked with the many stakeholders to close the defined benefit pension scheme to future accruals, thus mitigating the risk substantially.	Decreasing

our responsibility

At Manx Telecom, we know that it's not enough to provide great products and services, and support 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.

Support for our colleagues

Giving something back to the Isle of Man and its residents is something Manx Telecom is extremely passionate about and which we encourage our employees to actively participate in. Our Compliment Scheme allows local charities to benefit from a donation when customers pay tribute to a member of staff who has given them especially good service. Annual funding is provided to community initiatives that our staff are actively involved in, while staff are also given time to help local charities and organisations. In 2014, Special Olympics Isle of Man, the junior cycling league, local heritage centres and endowment trusts all benefited from our support.

Online safety

We have a raft of initiatives designed to help young people stay safe, both when using the internet, and their mobile phone. Our 'Staying Safe Online' leaflet was produced to help make children more aware of the dangers of using social networks, the internet and chatrooms. In early 2015, and in conjunction with 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. The new e-safety guide was launched on Safer Internet Day 2015 and contained hints and tips on everything from how to manage a digital footprint to where to go if someone is a victim of cyber bullying. We also supported 'Crucial Crew', an island-wide initiative from multiple organisations and companies to help children learn important life skills and stay safe.

Recycling

Manx Telecom introduced the first mobile phone recycling initiative on the Isle of Man. Anyone can take an old mobile phone to our Douglas shop or to the Manx Telecom Headquarters building, which is then refurbished and reused in developing countries. Those which are not reusable are disposed of safely, with no harmful elements put into landfill where they might leak into the environment.
We also actively promote a trade-in scheme, where customers can trade in their old device to receive a discount off a new handset or tablet. In this instance, we partner with Mazuma mobile, who refurbishes and redistributes the handsets overseas, where mobile phones have become indispensable in helping drive social change and economic growth in developing countries.

Digital inclusion

Manx Telecom is delighted to work with the Isle of Man Government on a pilot project to explore ways to reduce social isolation and its associated health risks amongst older people, particularly those living independently in rural areas. Increasingly, research is showing that access to the internet – and particularly the ability to connect online with friends and family – can reduce feelings of loneliness amongst older people and can give them access to a range of different benefits. Manx Telecom also provides dedicated training and knowledge sharing to elderly people, as well as support to Age Isle of Man with internet access to their 'drop-in' centres on the Island.

Our responsibility to the Isle of Man embraces social, environmental and ethical goals, especially through the use of technology and with the support of our 280 employees.

it's our community

We are proud of our established role in developing and enhancing the local Isle of Man community, especially through the use of technology.

We know our continued success depends on the health of the wider community, and have an active and extensive programme which supports events, people, and community groups in a whole variety of ways – from simple donation of funds, to sponsorship, hands on help, and donations of equipment. Our customer loyalty programme also provides local businesses with the opportunity of reaching out to the Manx Telecom customer base in a mutually beneficial way.

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 staff and our customers.

In 2014, we were delighted to support two 'superfast' local sporting superstars. Mark Cavendish MBE was on hand in July to launch and endorse our new 4G network in his role as a Manx Telecom 4G ambassador. We were also proud to support the motorcycle-racing ambitions of local rider Conor Cummins, and his skill and determination was rewarded with two TT podium finishes.

We were also a 'Team Isle of Man champion' supporting our Commonwealth Games squad in Glasgow and the official communications partner for Island of Culture 2014, which celebrated dance, music, theatre, film and digital innovation on the Island.

Photo courtesy of @TDWsport.com

our sponsorships

manx telecom parish walk

Now in its 102nd year, the famous 24 hour, 85 mile walk around each of the Isle of Man's 17 parishes is, undoubtedly, the biggest community event on the Island, each year attracting approximately 1,700 entrants and thousands more helpers and supporters.

We have provided a comprehensive timing and results service for the Parish Walk since 2007 and were proud to assume title sponsorship in 2011. We provide the event organisers with technical, logistical, marketing and financial support. The Manx Telecom Parish Walk brings out the very best in our Island community and every year, those who take part raise large sums for a host of charities and good causes. The 2015 walk takes place on 27 June.

manx telecom end 2 end challenge

Claiming to be 'Europe's biggest and best single day mountain bike event', the Manx Telecom 'end 2 end' Challenge is now in its 18th year. The end 2 end provides a unique 75 km 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 supports the event with both funding and technical support.

Over 1,500 competitors from the Isle of Man, UK and beyond – many of whom have overcome personal challenges to take part – will this year be on the start line on 13 September.

the royal show with manx telecom

The Royal Manx Show is a longstanding Manx institution offering a prestigious annual agricultural show alongside a weekend of fun, entertainment and attractions for the entire family. Manx Telecom is in its fourth year of sponsorship and works closely with the show committee to ensure the Royal Manx Show is welcomed every year by the entire community. This year's show falls on the weekend of 7 and 8 August.

it's our community

This is our scheme 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 thousands of pounds to local charities and community groups. In 2014, 13 organisations from across the Island benefitted from the scheme, including Manx Wildlife Trust, the Women's Institute Choir and the Friends of St. John's Ambulance. Projects for young people, the arts, the environment plus schools and sports clubs also received support.

The scheme will continue in 2015, with the closing date for applications that demonstrate bold and innovative thinking being 30 September.

board of directors

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.

Mike Dee
Chief Executive Officer

Mike Dee is a qualified accountant (CIMA) and was appointed CEO in April 2011. He has over 30 years of experience at Manx Telecom. In 1987, Mike was part of the BT team involved in setting up Manx Telecom and as former Finance Director and Company Secretary was instrumental in the Company's subsequent ownership changes. Before joining British Telecom plc in 1983, Mike held positions with the Dowty Group, Iloman Engineering and Castle Industries.

Gary Lamb
Finance Director and Company Secretary

Gary Lamb joined the business in October 2011 as Finance Director. 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.

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 Nominations 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.

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.

executive team

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.

Fergal McKenna
Sales Director

Fergal joined Manx Telecom as Sales Director in January 2012. He has extensive 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.

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.

David Smith
Marketing Director

David joined Manx Telecom in January 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 2014.

On 10 February 2014 the Company secured admission to the London Stock Exchange as an AIM stock ('Admission'). At this point its private equity controlling shareholders exited. As a result, approximately 97.8% of the Company's shares are now freely traded and in the most part held by long-term institutional investors.

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 27 which is incorporated into this report by reference together with the Corporate Governance Report on pages 33 and 34. 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 43 to 47. 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 2014 are given in the Strategic Report on page 6. An interim dividend of 3.3p per share for the six months ended 30 June 2014 was paid on 10 November 2014.

Directors

The names and biographies of the current Directors of the Company are set out on page 28 of this Annual Report. The following Directors were appointed as Directors of the Company on 14 January 2014:

Mike Dee
Gary Lamb
Kevin Walsh
Jeffrey Hume
Sir Miles Walker

The following Directors resigned on 3 February 2014:
Simon Cain
Alexander King
Faye Moffatt

Directors' share interests

Particulars of the number of ordinary shares of the Company in which the Directors were beneficially interested immediately following Admission on 10 February 2014 and at 31 December 2014 are set out below.

	At 10 February 2014	At 31 December 2014
Mike Dee	576,228	576,228
Gary Lamb	500,000	500,000
Jeffrey Hume	70,422	70,422
Sir Miles Walker	63,523	63,523
Kevin Walsh	70,422	70,422

Directors' remuneration

The Directors' Remuneration Report is set out on pages 37 to 40.

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 68 to 69. The Company has a single class of share capital divided into 112,959,787 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:
- each of the Directors has undertaken that they shall not effect any direct or indirect sale or enter into any agreement to effect any direct or indirect sale of any of his shares within 24 months of Admission except in circumstances where they have discussed in advance the manner and timing of such sale with Liberum Capital Ltd, as the Company's Nominated Adviser;
- awards made at Admission under the Co-Investment Plan are conditional upon the participant retaining his 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 Admission. This authority will expire at the Annual General Meeting in 2015 at which a resolution to renew the authority for a further year will be proposed. No shares have been purchased by the Company since Admission.

As at 20 April 2014, 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 re-appointment. 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 since Admission on 10 February 2014 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.

directors' report

continued

Major interests in shares

As at 27 April 2015, 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 – 112,959,787. AIM securities not in public hands – 2.16%.

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

	%
Artemis Investment Management LLP	9.36
Blackrock Investment Management (UK) Limited	7.52
Standard Life Investments Limited	7.35
FIL Investment Services (UK) Limited	6.32
AXA Investment Managers UK Limited	5.65
Aberdeen Fund Managers Limited	5.54
Hargreave Hale Limited	5.12
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 2016. 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 2014 was 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 Isle of Man Business Park, Cooil Road, Braddan, Isle of Man IM99 1HX on 8 June 2015 at 4pm. 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.

Signed on behalf of the Board.

Gary Lamb
Company Secretary

27 April 2015

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 will aim for the Company to apply the Code to a greater extent, relative to its size, at a later stage.

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;
- 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 28.

Appointments to the Board and re-election

Kevin Walsh will stand for re-election at the 2015 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; and
- 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 Finance Director, Gary Lamb, 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.

corporate governance report

continued

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 will be carried out in 2015.

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	1/1
Mike Dee	7/7	–	–	–
Gary Lamb	7/7	–	–	–
Jeffrey Hume	7/7	3/3	5/5	1/1
Sir Miles Walker*	6/7	3/3	4/5	1/1

* Sir Miles Walker was unable to attend the meetings held on 10 November 2014 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 35 to 36 and the Directors Remuneration Report is provided on pages 37 to 40.

The Role of the Nomination Committee
Members of the Nomination Committee
The Nomination Committee was formed on 1 December 2014 and consists entirely of independent Non-Executive Directors. The Chairman is Jeffrey Hume. At least one meeting will be held in each calendar year.

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 complete 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;
- 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, as a new development for Manx Telecom, to set out below an account of our role and activities during 2014 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.

The Group has gone through a period of substantial change in preparation for and following its IPO. Much of the Committee's focus has been on the development of external reporting from the level required of a company controlled by private equity to the level and transparency appropriate for an AIM company with important stakeholders. We have also concentrated upon the development of the Company's suite of internal policies and procedures, and the activities and resourcing of our internal audit.

The Committee will continue with these priorities during the following year, with the added objective of there being further development of the Company's existing risk management framework.

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 2014 and has so far met once in 2015. KPMG Audit LLC, our External Auditor, attended each of these meetings. The Chief Executive Officer, Finance Director, Financial Controller 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 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 2013 and 2014 Preliminary Results announcements and Annual Reports, the 2014 Interim Results announcement and reports from the external auditor, KPMG Audit LLC, on the planning for and outcome of their reviews and audits.

We considered key accounting issues and judgements in relation to the Group's financial statements and disclosures. The primary areas in relation to the 2014 accounts and how these were addressed were:

a) Revenue recognition – The Committee made enquiry into and obtained assurance in particular over termination income and roaming costs;
b) Underlying results – The Committee satisfied itself that the components of Profit before Tax excluded from the Underlying Results have been appropriately chosen to give shareholders a better understanding of how the business is performing; and
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.

report of the audit committee

continued

UK Corporate Governance Code

The Board asked the Committee to formally consider whether the Annual Report and Accounts, taken as a whole, is fair, balanced, and understandable; also that it provides the information necessary for shareholders to assess the Company's 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 2015 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 the Internal Audit Manager usually 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 22 to 23.

Further governance

The Committee also reviewed, before publication, Company policy statements on anti-bribery and whistleblowing together with the effectiveness of the related procedures.

The Committee's activities will be reviewed as part of the annual evaluation of Board effectiveness to be undertaken by the Board during 2015. All members of the Board will participate and any changes will be reported in the next Annual Report.

directors' remuneration report

Chairman's statement

This is our first Directors' Remuneration Report covering our first full year as a listed Company. The report is split into two parts, the first part describes our remuneration policy and the second part describes how we intend to implement our policy for 2015 and, separately, the basis for the remuneration paid to Directors in respect of 2014. This level of disclosure exceeds the reporting requirements for an AIM listed Company in line with the Board's commitment to high standards of corporate governance transparency and accountability.

In relation to remuneration paid in 2014, as described elsewhere in this Annual Report, the company has delivered revenue growth and strong cash generation, notwithstanding continued significant investment in the future growth of the business.

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. This performance is reflected in the achievement of annual bonus performance targets set out at the start of the year, which resulted in an annual bonus payable to Executive Directors of 50% of salary out of the maximum opportunity of 75% of salary. The Committee believes that the overall remuneration delivered in relation to 2014 represents a fair outcome in relation to the performance delivered to shareholders and other stakeholders.

I am delighted that we were able to launch our first share save scheme to all employees during 2014 and received an excellent take up of over 80%, enabling the vast majority of our people to participate in this employee share plan and benefit from the continued success of Manx Telecom.

Following the announcement of Mike Dee's intention to retire later in 2015, he will continue to be paid in line with the policy and there will be no additional payments outside the policy on his retirement.

In adapting to life as a publicly listed company the Committee has considered carefully the structure of the remuneration policy, to ensure that it will support and motivate our senior team whilst aligning them both to the Company's strategic objectives and to achieving long-term growth for our shareholders. There have been a number of changes to the policy, which are set out in the remuneration policy for Directors, together with details on how it will be applied in practice for 2015. These changes include the introduction of formal share ownership guidelines for Executive Directors and a provision to claw back payments made in certain circumstances.

We have made a successful start to life as a listed company and I hope that shareholders will be supportive of the remuneration paid in respect of 2014 and the policy with effect from 2015.

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. The remuneration of Non-Executive Directors shall be a matter for the Chairman and the executive members of the Board;
- 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 options or other 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.

directors' remuneration report

continued

The table below summarises the key aspects of the Company's remuneration policy for Executive 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 well-being 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 pre-determined.
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. With effect from the 2015 bonus one third of any bonus earned will be paid in shares, which must be held for at least two years. The bonus for 2014 will be payable in cash. 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). 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.	The Chairman is paid a single fee for all his responsibilities. The Non-Executives are paid a basic fee. The Senior Independent Director is paid an additional fee to reflect his extra responsibilities. The level of these fees is reviewed every two years by the Committee and Chief Executive for the Chairman and by the Chairman and Executive Directors for the Non-Executive Directors, with reference to market levels in comparably sized FTSE companies, and a recommendation is then made to the Board. Fees are paid in cash.	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 & 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 2015

2015 salary review

Salary levels are subject to annual review alongside all other employees in 2015 with any salary adjustments taking effect from 1 April 2015.

Performance targets for the 2015 annual bonus

For 2015, the annual bonus will continue to be based on a range of EBITDA, Free Cash Flow and Revenue metrics, with a weighting of 40:40:20 respectively.

LTIP awards to be granted in 2015

The LTIP awards granted in 2015 will be subject to Earnings Per Share and Free Cash Flow metrics, with a weighting of 50:50 respectively. A sliding scale range for each metric is being finalised by the Committee and will be disclosed in next year's report.

Remuneration for the financial year 2014

Remuneration payable to Directors in respect of 2014

The table below sets out the remuneration payable to the Directors in relation to the financial year 2014.

	Salary and fees £	Benefits (1) £	Pension (2) £	Annual bonus (3) £	Long-term incentives £	Total £
Executive Directors						
Mike Dee	196,625	14,443	33,440	100,000	–	344,508
Gary Lamb	177,000	13,127	17,611	90,000	–	297,738
Non-Executive Directors						
Kevin Walsh	80,000	–	–	–	–	80,000
Sir Miles Walker	40,000	–	–	–	–	40,000
Jeffrey Hume	50,000	–	–	–	–	50,000

Note 1: Benefits: these are as set out in the remuneration policy.

Note 2: For Mike Dee, part of this amount relates to a one-off transition payment relating to the closure of the Defined Benefit Pension Scheme.

Note 3: This relates to the achievement of the Revenue, EBITDA and Free Cash Flow metrics at between a target and stretch level of performance. The bonus is paid in cash.

Directors' interests in share-based incentive plans

Executive	Scheme	Grant date	Exercise price	Number of shares at 10 February 2014	Granted during year	Vested during year	Lapsed during year	Number of shares at 31 December 2014	End of performance period	Vesting date	Exercise period
Mike Dee	CIP	10.02.14	1.42	–	–	–	–	288,113	09.02.17	09.02.17	N/A
Gary Lamb	CIP	10.02.14	1.42	–	–	–	–	250,000	09.02.17	09.02.17	N/A

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.

directors' remuneration report

continued

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 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 14 February 2014	Beneficially owned at 31 December 2014	Outstanding CIP awards	% Shareholding guideline achieved at 31 December 2014
Mike Dee	576,227	576,227	288,113	100%
Gary Lamb	500,000	500,000	250,000	100%
Kevin Walsh	70,422	70,422	–	–
Jeffrey Hume	70,422	70,422	–	–
Sir Miles Walker	63,523	63,523	–	–

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 in respect of the annual report and the financial statements

The Directors are responsible for preparing the Annual 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 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 Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the 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

Gary Lamb
Company Secretary

27 April 2015

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

report of the independent auditors, KPMG audit llc to the members of manx telecom plc (formerly trafford equityco limited)

We have audited the financial statements of Manx Telecom plc for the year ended 31 December 2014 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements 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 41, 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 2014 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

27 April 2015

consolidated statement of comprehensive income for the year ended 31 december 2014

	Note	2014 £'000	2013 £'000
Revenue	1.13,2	**79,254**	76,029
Cost of sales		**(32,831)**	(30,836)
Gross profit		**46,423**	45,193
Administrative expenses		**(23,192)**	(29,742)
Operating profit	4	**23,231**	15,451
Underlying EBITDA		**27,101**	27,450
Depreciation and amortisation	7,8	**(9,490)**	(9,326)
Underlying operating profit		**17,611**	18,124
Impairment of equipment	4	**(592)**	(2,673)
Pension scheme reorganisation	4	**6,212**	–
Operating profit		**23,231**	15,451
Other income		**140**	47
Financial income	5	**72**	219
Finance costs	5	**(8,437)**	(15,938)
Listing expenses	4	**(7,991)**	–
Net (loss)/profit on interest rate swaps	17(d)	**(1,299)**	585
Profit before tax		**5,716**	364
Taxation	6	**–**	–
Profit for the year attributable to the owners of the Group		**5,716**	364
Underlying Profit before Tax		**12,945**	7,308
Impairment of equipment	4	**(592)**	(2,673)
Pension scheme reorganisation	4	**6,212**	–
Release of capitalised loan transaction costs	4	**(4,567)**	(3,301)
Refinancing costs	4	**(291)**	(970)
Listing expenses	4	**(7,991)**	–
Profit before tax		**5,716**	364
Other comprehensive income – items that will never be reclassified to profit or loss			
Actuarial gains/(losses) on defined benefit pension scheme	15	**800**	(9,100)
Total comprehensive profit/(loss) for the year attributable to the owners of the Group		**6,516**	(8,736)
Earnings per share from continuing operations			
Basic	23	**5.40p**	0.73p
Diluted	23	**5.37p**	0.73p
Underlying basic	23	**12.22p**	14.69p
Underlying diluted	23	**12.17p**	14.69p

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

The notes on pages 48 to 78 form an integral part of these financial statements.

consolidated and company statements of financial position as at 31 december 2014

	Note	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Non-current assets					
Property, plant and equipment	7	**65,098**	62,622	**–**	–
Goodwill	3	**84,277**	84,277	**–**	–
Intangible assets	8	**516**	362	**–**	–
Retirement benefit asset	15	**2,200**	–	**–**	–
Investments in subsidiaries	9	**–**	–	**831**	100
		152,091	147,261	**831**	100
Current assets					
Inventories	10	**794**	543	**–**	–
Trade and other receivables	11	**16,708**	17,194	**1**	–
Due from related parties	19	**–**	100	**87,208**	187
Interest rate swaps	17(d)	**–**	585	**–**	–
Cash and cash equivalents	12	**15,156**	13,506	**–**	–
		32,658	31,928	**87,209**	187
Current liabilities					
Interest-bearing loans and borrowings	13	**–**	(957)	**–**	–
Due to subsidiary	19	**–**	–	**(2,100)**	(2,119)
Trade and other payables	14	**(26,475)**	(24,849)	**–**	–
Interest rate swaps	17(d)	**(1,008)**	–	**–**	–
		(27,483)	(25,806)	**(2,100)**	(2,119)
Net current assets/(liabilities)		**5,175**	6,122	**85,109**	(1,932)
Non-current liabilities					
Interest-bearing loans and borrowings	13	**(68,948)**	(115,690)	**–**	–
Due to shareholders	19	**–**	(30,968)	**–**	–
Retirement benefit liability	15	**–**	(6,400)	**–**	–
		(68,948)	(153,058)	**–**	–
Net assets/(liabilities)		**88,318**	325	**85,940**	(1,832)
Equity attributable to the owners of the Group and Company					
Share capital	16	**226**	100	**226**	100
Share premium	16	**84,343**	–	**84,343**	–
Own shares	16	**–**	–	**–**	–
Retained earnings/(deficit)		**3,749**	225	**1,371**	(1,932)
Total equity		**88,318**	325	**85,940**	(1,832)

The notes on pages 48 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:

Mike Dee
Director

Gary Lamb
Director

27 April 2015

consolidated statement of changes in equity for the year ended 31 december 2014

	Share capital £'000	Share premium £'000	Own shares £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2013	98	–	–	10,889	10,987
Total comprehensive loss for the year					
Profit for the year	–	–	–	364	364
Other comprehensive income	–	–	–	(9,100)	(9,100)
Total comprehensive loss for the year	–	–	–	(8,736)	(8,736)
Transactions with owners of the Group, recorded directly in equity					
Share-based payment transactions (note 22)	–	–	–	72	72
Issue of shares (note 16)	2	–	–	–	2
Dividend paid (note 24)	–	–	–	(2,000)	(2,000)
Total contributions by and distributions to the owners of the Group	2	–	–	(1,928)	(1,926)
Balance at 31 December 2013	100	–	–	225	325
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 (note 22)	**–**	**–**	**–**	**731**	**731**
Issue of shares (note 16)	**126**	**89,226**	**–**	**–**	**89,352**
Own shares acquired in the period (note 16)	**–**	**–**	**–**	**–**	**–**
Listing costs recognised in equity (notes 4, 16)	**–**	**(4,883)**	**–**	**–**	**(4,883)**
Dividend paid (note 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**

The notes on pages 48 to 78 form an integral part of these financial statements.

company statement of changes in equity for the year ended 31 december 2014

	Share capital £'000	Share premium £'000	Own shares £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2013	98	–	–	3	101
Total comprehensive loss for the year					
Loss for the year	–	–	–	(7)	(7)
Total comprehensive loss for the year	–	–	–	(7)	(7)
Transactions with the owners of the Company, recorded directly in equity					
Share-based payment transactions (note 22)	–	–	–	72	72
Issue of shares (note 16)	2	–	–	–	2
Dividend paid (note 24)	–	–	–	(2,000)	(2,000)
Total contributions by and distributions to the owners of the Company	2	–	–	(1,928)	(1,926)
Balance at 31 December 2013	100	–	–	(1,932)	(1,832)
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 (note 22)	**–**	**–**	**–**	**731**	**731**
Issue of shares (note 16)	**126**	**89,226**	**–**	**–**	**89,352**
Own shares acquired in the period (note 16)	**–**	**–**	**–**	**–**	**–**
Listing costs recognised in equity (notes 4, 16)	**–**	**(4,883)**	**–**	**–**	**(4,883)**
Dividend paid (note 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**

The notes on pages 48 to 78 form an integral part of these financial statements.

consolidated statement of cash flows
for the year ended 31 december 2014

	Note		2014 £'000		2013 £'000
Cash flows from operating activities					
Profit for the year			**5,716**		364
Adjustments for:					
Depreciation of property, plant and equipment	7	9,299		9,188	
Amortisation of intangibles	8	191		137	
Impairment of property, plant and equipment	4	592		2,673	
Profit on disposal of property, plant and equipment	7	(140)		–	
Pension (credit)/charge	15	(6,000)		1,400	
Finance income	5	(72)		(219)	
Finance costs	5	8,437		15,938	
Listing expenses	4	7,991		–	
Net (loss)/profit on interest rate swaps	17(d)	1,299		(585)	
Equity-settled share-based payments transactions	22	256		72	
Changes in:					
Inventories	10	(251)		114	
Trade and other receivables	11	486		877	
Trade and other payables	14	1,318		(1,816)	
			23,406		27,779
Net cash generated from operating activities			**29,122**		28,143
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		123		346	
Purchase of property, plant and equipment	7	(12,294)		(9,947)	
Government grants related to asset purchases	7	250		–	
Purchase of intangible assets	8	(345)		(34)	
Pension contributions	15	(2,100)		(2,600)	
Interest received	5	72		119	
Net cash used in investing activities			**(14,294)**		(12,116)
Cash flows from financing activities					
Proceeds on issue of shares	16	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		122,129	
Transaction costs related to loans and borrowings	13	(1,475)		(6,209)	
Repayment of borrowings	13	(121,081)		(62,261)	
Proceeds from settlement of interest rate swaps	17(d)	294			
Repayment of shareholder loans	19	(22,128)		(43,844)	
Interest paid		(12,018)		(20,686)	
Dividends paid	24	(3,723)		(2,000)	
Net cash used in financing activities			**(13,178)**		(12,871)
Net increase/(decrease) in cash and cash equivalents			**1,650**		3,156
Cash and cash equivalents brought forward			**13,506**		10,350
Cash and cash equivalents at 31 December	12		**15,156**		13,506

The notes on pages 48 to 78 form an integral part of these financial statements.

notes
(forming part of the financial statements for the year ended 31 december 2014)

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 financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'). The consolidated 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. Reduced revenues in mobile business have been more than offset by increasing revenues in global solutions, broadband and data centre revenue streams and has resulted in the Group achieving revenue growth of 4.2% at 31 December 2014 compared to 31 December 2013. The Group is in a net asset and net current asset position and has reduced net debt significantly during the year following admittance to the London Stock Exchange AIM stock market. 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.

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 Accounting policies continued

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.

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

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 cash balances and call deposits.

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.

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.

1 Accounting policies continued

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

Derivative financial instruments are recognised at fair value and classified as held for trading. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

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.

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.

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.

Gains and losses on disposal of an item of property, plant and equipment are 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 Business combinations

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the statement of comprehensive income.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

1.8 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.

1.9 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.

1.10 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.

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.

1 Accounting policies continued
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.

1.11 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.

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 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 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; and
- 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 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

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.

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.

1.12 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.

1.13 Revenue

Revenue, which excludes value added tax and other sales taxes, comprises of the value of services provided, equipment sales and other revenue.

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.

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 they relate.

1.14 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.

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

1 Accounting policies continued
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.

1.15 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.

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IAS 27	Separate Financial Statements (2011)
IAS 28	Investments in Associate and Joint Ventures (2011)
IFRS 10, IFRS 12 & IAS 27	Investment Entities: Amendments to IFRS 10, IFRS 12 and IAS 27
IAS 32	Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
IAS 36	Recoverable amount disclosures for non-financial assets – Amendments to IAS 36
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

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 2017
IAS 19	Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 July 2014
	Annual Improvements 2010-2012 cycle	1 July 2014
	Annual Improvements 2011-2013 cycle	1 July 2014
	Annual Improvements 2012-2014 Cycle	1 July 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

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.

1.16 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.

1.17 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.

1.18 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 2014 (and 31 December 2013). 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.
- 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 35% (2013: 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 2014 £'000	Group 2013 £'000
Fixed line, broadband and data	**31,338**	30,985
Mobile	**18,357**	19,195
Global solutions	**16,669**	13,576
Data centre	**6,607**	6,461
Other	**6,283**	5,812
	79,254	76,029

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 2013	84,277
Additions during the year	–
Balance at 31 December 2013	84,277
Additions during the year	**–**
Balance at 31 December 2014	**84,277**

Carrying amount	
As at 31 December 2014	**84,277**
As at 31 December 2013	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 (2013: nil).

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.

3 Goodwill – Group continued

In 2014, 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 2014 (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 2013 the Group used the enterprise value methodology to determine the fair value of Manx Telecom Trading Limited. An enterprise value multiple was estimated by management based on similar publicly traded telecommunications enterprise value multiples, adjusted for Manx Telecom's business model and discounted by 30%. This calculation also used earnings based on the last 12 months' rolling EBITDA. 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.

4 Operating profit

The operating profit is stated after charging/(crediting) the following:

		2014 £'000	2013 £'000
Staff costs		**15,142**	14,691
Depreciation of property, plant and equipment – owned assets		**9,299**	9,188
Amortisation of software licences – intangibles		**191**	137
Impairment of property, plant and equipment		**592**	2,673
Net operating lease rentals payable – property		**186**	167
Trade receivables impairment		**403**	225
Audit services	– statutory audit	**158**	84
	– non-audit service fees	**94**	165

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

	2014 £'000	2013 £'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 have been recognised as a reduction to share premium within equity to the extent that they relate to the newly issued shares. All other costs that do not qualify for recognition in equity are recognised in financial expenses in the 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. These adjustments include:

- Impairment of equipment. During the current year, following the implementation of 4G which was completed during 2014, the Group made further 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 has arisen 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

	2014 £'000	2013 £'000
Finance income		
Other interest receivable	**72**	119
Net interest on net pension asset	**–**	100
	72	219
Finance costs		
Interest on shareholder loan notes	**(330)**	(3,928)
Interest on borrowings	**(2,933)**	(7,064)
Finance lease interest	**(6)**	(3)
Net interest on pension liabilities	**(300)**	–
Amortisation of loan transaction costs	**(301)**	(672)
Release of capitalised transaction costs	**(4,567)**	(3,301)
Refinancing costs	**–**	(970)
Total financial expense	**(8,437)**	(15,938)
Net total finance expense	**(8,365)**	(15,719)

In May 2010 Hg Capital LLP acquired Manx Telecom Trading Limited (formerly Manx Telecom Limited (see note 9)) and as a result the Group obtained bank debt and incurred financing costs of £5,341,000. These costs were capitalised. The debt was subsequently repaid as a result of refinancing in April 2013. The remaining unamortised financing costs were charged to the Consolidated Statement of Comprehensive Income in 2013.

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.

The new debt arrangement (see note 13) incurred directly related expenses of £1,475,000 which have been capitalised in accordance with IAS 39 and which are being amortised over the period of the loan facility. Amortisation of £301,000 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 2014 (2013: 0%). Therefore no provision has been made for taxation for 2014 (2013: £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
Balance at 1 January 2013	32,983	113,196	6,307	152,486
Additions	–	–	9,947	9,947
Transfer	1,035	4,853	(5,888)	–
Disposals	–	(2,347)	–	(2,347)
Impairment	–	(26,928)	–	(26,928)
Balance at 31 December 2013	34,018	88,774	10,366	133,158
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
Depreciation and impairment				
Balance at 1 January 2013	7,774	79,830	–	87,604
Depreciation charge for the year	1,294	7,894	–	9,188
Disposals	–	(2,338)	–	(2,338)
Impairment	–	(23,918)	–	(23,918)
Balance at 31 December 2013	9,068	61,468	–	70,536
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**
Net book value at 31 December 2014	**26,874**	**29,614**	**8,610**	**65,098**
Net book value at 31 December 2013	24,950	27,306	10,366	62,622

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 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.

During 2013 the Board agreed the implementation of 4G. As such, the 2G and 3G assets were fully impaired although remain operational. In 2014, following the implementation of 4G, the Group has made further impairments of equipment used to provide mobile prepaid services and fixed voice network equipment. As at 31 December 2014 the Group had recorded accrued costs of £3,044,000 for services received in respect of 4G implementation during 2014 which are due for payment in 2015.

7 Property, plant and equipment – Group continued

In 2014, the Group made a profit on disposal of certain fixed assets of £140,000 (2013: £nil).

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.

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

31 December 2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Land and buildings	–	–	24,950	24,950

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 2013	109	1,216	1,325
Additions	–	34	34
Balance at 31 December 2013	109	1,250	1,359
Balance at 1 January 2014	**109**	**1,250**	**1,359**
Additions	**–**	**345**	**345**
Balance at 31 December 2014	**109**	**1,595**	**1,704**
Amortisation and impairment			
Balance at 1 January 2013	–	(860)	(860)
Amortisation for the year	–	(137)	(137)
Balance at 31 December 2013	–	(997)	(997)
Balance at 1 January 2014	**–**	**(997)**	**(997)**
Amortisation for the year	**–**	**(191)**	**(191)**
Balance at 31 December 2014	**–**	**(1,188)**	**(1,188)**
Net book value at 31 December 2014	**109**	**407**	**516**
Net book value at 31 December 2013	109	253	362

The domain names were acquired on 1 March 2012. The Directors have considered the carrying value of the assets at 31 December 2014 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 2014	Ownership 2013
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 £731,000 (2013: £nil) 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 2014 £'000	Group 2013 £'000
Raw materials and consumables	**53**	50
Work in progress	**53**	121
Finished goods	**688**	372
	794	543

11 Trade and other receivables – Group

	Group 2014 £'000	Group 2013 £'000
Amounts falling due within one year:		
Trade receivables	**7,566**	7,391
Less provisions for impairment of receivables	**(720)**	(491)
Trade receivable – net	**6,846**	6,900
Other trade receivables	**6,335**	6,486
Prepayments	**1,294**	1,539
Accrued income	**2,233**	2,269
	16,708	17,194

An analysis of the aging 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 2013	**762**
Additions	–
Reductions/amount paid	(271)
Doubtful debt provision at 31 December 2013	**491**
Additions	229
Reductions/amount paid	–
Doubtful debt provision at 31 December 2014	**720**

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

12 Cash and cash equivalents – Group

	Group 2014 £'000	Group 2013 £'000
Cash held at bank	**15,156**	13,506

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 2014 £'000	Group 2013 £'000
Non-current liabilities		
Finance lease liability	**133**	129
Secured bank loans	**68,815**	115,561
	68,948	115,690
Current liabilities		
Current portion of secured bank loans	**–**	957
	–	116,647

As at 31 December 2013, the Group had received shareholder loans from the previous shareholder, HG Capital LLP. These were included in 'due to shareholders' (note 19). All remaining shareholder loans and PIK (Payment In Kind) notes were repaid in the period. The capital component of the shareholder loans and PIK notes repaid was £22,228,000 and interest payable of £8,740,000 was settled. The secured PIK notes were interest bearing at a rate of 10%.

Terms and debt repayment schedule

	Currency	Nominal interest rate %	Date of maturity	Carrying amount 2014 £'000	Carrying amount 2013 £'000
Finance lease	GBP	2.92	31 July 2018	**133**	129
Revolving credit facility	GBP	2.00 – 3.50	30 June 2018	**70,000**	–
Senior debt (GE Ares)	GBP	6.50	25 March 2019	**–**	121,085
Unamortised finance costs	GBP			**(1,185)**	(4,567)
				68,948	116,647

Current facility agreement

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% pa and, from 30 June 2014, is subject to an adjustment to the margin ranging from 2.0% pa to 3.5% pa 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%.

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

13 Interest-bearing borrowings – Group continued

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 Facility Agreement will terminate and all amounts outstanding must be repaid on 30 June 2018.

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 the period the Group has not breached any financial covenants contained within the Facility Agreement.

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 the period and will be amortised over the loan period. Due to the refinancing, unamortised transaction costs of £4,567,000 (2013: £3,301,000) relating to prior financing arrangements were released to the statement of comprehensive income within finance expenses.

As part of the refinancing, all remaining outstanding Shareholder loans and PIK notes (see note 19) were repaid during the period.

Prior facility agreement

The Group's third party debt existing as at 31 December 2013 consisted of £121,085,000 senior term and £5,000,000 revolving facilities agreement arranged by GE Corporate Finance Bank SAS and with GE Corporate Finance Bank SAS, London Branch as agent and security agent and entered into on 19 March 2013 ('the Agreement').

The Agreement provided for two tranches: (i) a term loan tranche ('the Term Loan') and (ii) a revolving loan tranche ('the Revolver').

The main purpose of the Agreement was to refinance the Group's then existing third party debt entered into in 2010. Amounts drawn under the Revolver were also used for general corporate purposes and working capital purposes of the Group.

The opening interest rate applicable to drawn amounts under the Term Loan was the applicable interbank offer rate plus a margin of 6.5% p.a. and, under the Revolver, the applicable interbank offer rate plus a margin of 4.5% p.a. To mitigate the Group's exposure to interest rate risk, the Group entered into an interest swap agreement. See note 17(d) for further details of the interest swap agreement.

The Agreement also contained certain undertakings (including limitations on capital expenditure), guarantees and covenants (including financial covenants based on the ratio of total net debt to EBITDA, the ratio of net finance charges to EBITDA and cash flow cover) and provides for certain events of default.

Transaction costs incurred as part of the Group's refinancing of existing debt are amortised over the period of the loan. As a result, in 2013 transaction costs of £5,239,115 were capitalised to be amortised over the loan period. As noted above, due to the refinancing, unamortised transaction costs of £4,567,000 relating to these prior financing arrangements were released to the statement of comprehensive income within finance expenses.

14 Trade and other payables – Group

	Group 2014 £'000	Group 2013 £'000
Current		
Trade payables	**6,215**	4,981
Other taxation and social security	**3,837**	4,212
Other payables	**3,729**	4,376
Accrued expenses	**10,435**	8,605
Deferred income	**2,259**	2,675
	26,475	24,849

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.

Under the projected unit method the current service cost will increase as the members of the Scheme approach retirement.

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 £1,850,000 (2013: £2,200,000) together with employee contributions of £250,000 (2013: £400,000) to the Manx Telecom Combined Pension Scheme for the financial year ended 31 December 2014.

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 has arisen 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. The assumed rate of pension increases in deferment is 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 2014. Scheme assets are stated at fair value.

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

15 Retirement benefit obligations – Group continued

	2014 %	2013 %
Nominal rate of increase for in-payment benefits	**2.55 – 3.00**	2.55 – 3.20
Nominal rate of increase for deferred benefits	**2.25**	2.55
Average longevity of a member at age 60 now (years) - males	**27.4**	27.3
Average longevity of a member at age 60 now (years) - females	**30.0**	29.9
Average longevity of a member at age 60 in 2029 - males	**29.3**	29.1
Average longevity of a member at age 60 in 2029 - females	**31.9**	31.8
Discount rate	**3.90**	4.65
Retail Price Index ('RPI')	**3.25**	3.55
Consumer Price Index ('CPI')	**2.25**	2.55
Rate of salary increase	**N/A**	4.55

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 £6,000,000 to become a liability of £3,800,000.

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 £9,000,000 of which were invested in corporate bonds at 31 December 2014. 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.

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 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

31 December 2013	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	+6,700	+800	+1,400
Net benefit expense	+100	–100	+500	–	–
Service cost	–	–300	+200	–	–
Net interest cost	+100	–700	+300	–	–

15 Retirement benefit obligations – Group continued

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 cash commutation assumption where an allowance is made for 80% of the Section C members exchanging pension for a lump sum at retirement on commutation factors that are 20% better than the current terms. 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 2014 are as follows:

	2014 £'000	2013 £'000
Analysis of the amount (credited)/charged to profit or loss:		
Current service cost	**1,000**	1,400
Past service cost	**(7,000)**	–
Net interest expense/(income)	**300**	(100)
Total (credited)/charged in profit before tax	**(5,700)**	1,300

Analysis of the amount recognised in other comprehensive income:

	2014 £'000	2013 £'000
Actuarial loss due to liability experience	**–**	3,300
Actuarial loss due to liability assumption changes	**5,900**	7,600
Actuarial loss arising during the period	**5,900**	10,900
Return on Scheme assets greater than discount rate	**(6,700)**	(1,800)
Remeasurement effects recognised in other comprehensive income	**800**	(9,100)

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

	2014 £'000	% of total fair value of scheme assets 31 Dec 2014 %	2013 £'000	% of total fair value of scheme assets 31 Dec 2013 %
Fair value of assets:				
– Equities	**29,800**	39.1	29,300	43.8
– UK Government bonds	**46,200**	60.5	37,200	55.7
– Other bonds	**–**	0.0	–	0.0
– Other	**300**	0.4	300	0.5
Fair value of assets	**76,300**		66,800	
Present value of defined benefit obligations	**(74,100)**		(73,200)	
Net asset/(liability) recognised in the balance sheet	**2,200**		(6,400)	
Deferred tax assets	**–**		–	
Net pension surplus/(deficit)	**2,200**		(6,400)	

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).

15 Retirement benefit obligations – Group continued

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:

	2014 £'000	2013 £'000
At start of year	**73,200**	60,500
Current service cost	**1,000**	1,400
Past service cost and gains and losses on settlements	**(7,000)**	–
Interest cost	**3,400**	2,900
Actuarial loss due to liability experience	**–**	3,300
Actuarial loss due to liability financial assumption changes	**7,500**	7,600
Actuarial loss due to liability demographic assumption changes	**(1,600)**	–
Benefits paid from scheme assets	**(2,400)**	(2,500)
At end of year	**74,100**	73,200

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

	2014 £'000	2013 £'000
At start of year	**66,800**	61,900
Interest income on scheme assets	**3,100**	3,000
Return on scheme assets excluding interest income	**6,700**	1,800
Contributions from the employer	**1,850**	2,200
Contributions from plan participants	**250**	400
Benefits paid	**(2,400)**	(2,500)
At end of year	**76,300**	66,800

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 2015 are £1,200,000 and expected benefit payments from Scheme assets are £2,000,000.
- Timing of benefit payments and duration of the defined benefit obligation – the weighted average duration of the defined benefit obligation is 23.5 years (2013: 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 2015	2,000
31 December 2016	2,000
31 December 2017	2,000
31 December 2018	2,200
31 December 2019	2,400
31 December 2020 through 31 December 2024	13,700

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 2014 totalled £396,000 (year ended 31 December 2013: £301,000).

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 the 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
In issue at 1 January 2013	9,790	98	–	98
Issued shares during the year	190	2	–	2
At 31 December 2013	**9,980**	**100**	**–**	**100**
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**

	2014 £'000	2013 £'000
Allotted, called up and subject to payment		
Ordinary shares of 112,959,787 @ 0.2p each (2013: ordinary shares of 9,789,673 @ 1p each)	**226**	100
	226	100

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.

During 2013, the Company issued 200,000 1p ordinary shares for a consideration of £2,000 which was unpaid as at 31 December 2013. The Company repurchased 10,000 1p ordinary shares for a consideration of £100. The unpaid amount represents the amount due from shareholders in note 19 and was received during the year.

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 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.

The new and existing shares rank pari passu in all respects including voting rights and dividend entitlement.

Under a Co-Investment Plan established in connection with the listing 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 IAS24 as 'Key Management') received a total of 376,733 conditionally awarded shares (of which 62,500 have subsequently been forfeited during the year), 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 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. See note 22 for further information regarding share-based payments.

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 new ordinary shares rank pari passu in all respects with the existing issued ordinary shares of £0.002 each in the share capital of the Company.

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 has subsequently decided to only issue new shares in respect of awards currently due.

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
In issue at 1 January 2013	–	–
At 31 December 2013	–	–
Opening balance as at 1 January 2014	–	–
Own shares issued	137,500	(0)
Share options vested	–	–
At 31 December 2014	**137,500**	**(0)**

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 £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 the shareholder, return capital to the shareholder 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:

	2014 £'000
Secured bank loans	**(68,815)**
Cash and cash equivalents	**15,156**
Net debt	**(53,659)**
Equity	**88,280**
Net debt to equity ratio	**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.

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.

17 Financial instruments continued

Derivative financial instruments

The fair value of interest rate swaps is based on broker quotes.

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 2014 £'000	Fair value 2014 £'000	Carrying amount 2013 £'000	Fair value 2013 £'000
Financial assets measured at amortised cost				
Cash and cash equivalents (note 12)	**15,156**	**15,156**	13,506	13,506
Trade and other receivables (note 11)	**16,708**	**16,708**	15,655	15,655
Financial assets designated as fair value through profit or loss				
Derivatives (note 17d)	**–**	**–**	585	585
Total financial assets	**31,864**	**31,864**	29,746	29,746

	Carrying amount 2014 £'000	Fair value 2014 £'000	Carrying amount 2013 £'000	Fair value 2013 £'000
Financial liabilities measured at amortised cost				
Finance leases (note 13)	**133**	**133**	129	129
Due to shareholders (note 19)	**–**	**–**	30,968	30,968
Other interest-bearing loans and borrowings (note 13)	**68,815**	**68,815**	116,518	116,518
Trade and other payables (note 14)	**26,475**	**26,475**	24,849	24,849
Financial liabilities designated as fair value through profit or loss				
Derivatives (note 17d)	**1,008**	**1,008**	–	–
Total financial liabilities	**96,431**	**96,431**	172,464	172,464

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

The Group's principal credit risks are attributable to its cash and cash equivalents, trade receivables and related party receivables. 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 from customers and investment securities.

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.

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 2014 was £31,864,000 (2013: £31,385,000) being the total of the carrying amount of cash and cash equivalents, trade and other receivables and related party receivables.

17 Financial instruments continued

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

	Carrying amount £'000	Not overdue on the reporting date £'000	Overdue on the reporting date: 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 but not impaired			**3,535**	**500**	**113**	**65**

	Carrying amount £'000	Not overdue on the reporting date £'000	Overdue on the reporting date: 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 2013	7,391	2,006	3,515	1,003	510	357
Allowance for doubtful debts			(111)	(95)	(116)	(169)
Of which past due but not impaired			3,404	908	394	188

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 to meet its obligations. The Group aims to maintain appropriate liquidity through the daily 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 (2013: revolving credit facility negotiated with GE Corporate Finance Bank SAS) and by the use of interest rate swaps to partially offset interest rate movements impacting variable rate loans and borrowings.

Liquidity risk – Group

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

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**
Due to shareholders	**–**	**–**	**–**	**–**	**–**	**–**
Derivative financial liabilities						
Derivatives (note 17d)	**573**	**573**	**859**	**–**	**2,005**	**1,008**
	28,890	**2,415**	**73,613**	**–**	**104,918**	**96,431**

2013	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	106	–	198	129
Secured bank loans	8,562	8,562	25,686	123,155	165,965	116,518
Trade and other payables	24,849	–	–	–	24,849	24,849
Due to shareholders	3,097	3,097	9,290	37,162	52,646	30,968
	36,554	11,705	35,082	160,317	243,658	172,464

17 Financial instruments continued

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. In the prior year, the Group held shareholder loans (see note 19) which were interest bearing at a fixed rate of 10% per annum and which therefore had limited interest rate risk attached.

Market risk – interest rate risk

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

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Variable rate financial instruments				
Financial assets	**11,721**	13,019	**–**	–
Financial liabilities	**(70,000)**	(141,496)	**–**	–
	(58,279)	(128,477)	**–**	–
Fixed rate financial instruments				
Financial liabilities	**–**	(30,968)	**–**	–
	(58,279)	(159,445)	**–**	–

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 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 Group held the following interest rate swaps as at 31 December 2013:

Bank	Interest rate %	Expiry date	Notional amount £'000	Fair value £'000
Bank of Ireland	0.6650	31/03/2016	81,333	585
				585

The net movement in unrealised gains/(losses) on interest rate swaps in the year gives rise to a loss of £1,593,000 in the current year. As a result of the refinancing described in note 13, realised gains of £294,000 were incurred in exiting the 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 2014 would have increased by £1,411,000 (2013: increase £1,163,000). If interest rates had been 100 basis points lower, the Group's profit for the year ended 31 December 2014 would have decreased by £1,411,000 (2013: decrease £1,163,000). 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).

17 Financial instruments continued

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

31 December 2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets	–	585	–	585
Financial liabilities	–	–	–	–

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:

	2014 £'000	2013 £'000
Property operating lease payments	**190**	171
Site sharing operating lease payments	**385**	339

Sublease income of £4,000 (2013: £4,000) was recognised within income in the year.

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:

	2014 £'000	2013 £'000
Not later than one year	**392**	495
Later than one year not later than five years	**1,256**	1,983
Expiring in more than five years	**1,290**	2,055

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:

	2014 £'000	2013 £'000
Not later than one year	**4**	4
Later than one year not later than five years	**15**	15
Expiring in more than five years	**66**	70

19 Related parties – Group and Company

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

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Salaries and short-term employee benefits	**1,676**	1,701	**–**	–
Share-based payments	**646**	62	**–**	–
Post-employment benefits	**112**	36	**–**	–
	2,434	1,799	**–**	–

Further information about the remuneration and shareholdings of individual Directors is provided in the audited part of the Directors' remuneration report on page 39.

Shares as at 31 December 2014 were in denominations of £0.002 per share. Shares as at 31 December 2013 were in denominations of £0.01 per share.

Dividends of £38,000 were paid in the year in respect of ordinary shares held by the Company's Directors.

Other related party transactions – Group

Related party	Relationship	Receivables outstanding 2014 £'000	Payables outstanding 2014 £'000	Receivables outstanding 2013 £'000	Payables outstanding 2013 £'000
Shareholders	Shareholders	**–**	**–**	100	30,968
		–	**–**	100	30,968

The shareholder loans payable were interest bearing at 10% per annum, unsecured and were due to expire in the year ending 31 December 2020. Loan interest payable of £8,740,000 had accrued and was included in the payables balance as at 31 December 2013. The shareholder loan was repaid in full in February 2014, with a payment of £30,968,000 representing the principal and accrued interest. The shareholders receivable balance was received during the year.

Other related party transactions – Company

Related party	Relationship	Receivables outstanding 2014 £'000	Payables outstanding 2014 £'000	Receivables outstanding 2013 £'000	Payables outstanding 2013 £'000
Trafford Shareholder Debtco Limited	Direct subsidiary	**13,363**	**100**	–	100
Manx Telecom Trading Limited					
(formerly Manx Telecom Limited)	Indirect subsidiary	**73,845**	**–**	87	19
Manx Telecom Holdings Limited	Indirect subsidiary	**–**	**2,000**	–	2,000
Shareholders	Shareholders	**–**	**–**	100	–
		87,208	2,100	187	2,119

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 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.

As at 31 December 2013, Manx Telecom plc was ultimately owned by Rowan Nominees Limited, a nominee company holding on behalf of a series of private equity funds under management of Hg Capital LLP.

21 Capital and other financial commitments

	2014 £'000	2013 £'000
Contracts placed for future capital expenditure relating to property, plant and equipment	**2,536**	6,929

22 Share-based payment

As at 31 December 2013, the Company had one share option scheme in place. Following the Admission, the Company has created three new share-based payment arrangements. The new 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.

The Company is also in the process of setting up a long-term incentive plan as disclosed in the Company's Admission Document, in which employees and Executive Directors of the Group will be eligible to participate. The rules of this plan were not yet finalised as at the year end and no share options had been granted under this plan as at 31 December 2014.

The total expense in respect of equity-settled share-based payments for the year ended 31 December 2014 was £731,000 (2013: £72,000).

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

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

	Pre-listing share options	
2013	Number of shares	Weighted average exercise price (£ per share)
Outstanding at beginning of year	300,000	0.01
Granted during the year	200,000	0.01
Forfeited during the year	(10,000)	–
Exercised during the year	–	–
Expired during the year	–	–
Outstanding at the end of the year	490,000	0.01
Exercisable at the end of the year	–	–

22 Share-based payment continued

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 the current year.

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 (2013: £72,000).

The weighted average fair value of options granted in 2013 was £2.45 per share. This value was calculated by estimating the average value of the total shares as being half the net asset value of the Group. The 50% discount applied to net asset value was intended to reflect the average of a net asset value basis and an alternative valuation model using earnings as a base. This has then been discounted by 20% to represent the illiquidity of the shares as at the time of granting. No adjustment was applied in respect of dividends as the shares awarded give the holders the same rights to dividends as all other shareholders. The valuation basis was agreed with Isle of Man Treasury as being an appropriate basis for tax purposes.

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 IAS24 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.

The estimated fair value of options granted in the year was £0.93 per share. The aggregate of the estimated fair value of the options granted in the year under the CIP was £859,000, though due to 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 £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 2014 was £238,000. As at 31 December 2014, the CIP awards had a weighted average remaining contractual life of 2.11 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. At 31 December 2014 the options had a weighted average remaining contractual life of 2.92 years.

The estimated fair value of options granted in the year was £0.35 per share. The aggregate of the estimated fair value of the options granted in the year under the SAYE scheme was £422,000, 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 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 2014 was £12,000.

An equivalent cash settled share option scheme for non Isle of Man resident employees has been established subsequent to the balance sheet date.

22 Share-based payment continued

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. At 31 December 2014 the options had a weighted average remaining contractual life of 2.92 years.

The estimated fair value of options granted in the year was £1.7675 per share. The aggregate of the estimated fair value of the options granted in the year under the SIP was £224,000, 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 2014 was £6,000.

An equivalent cash settled share option scheme for non Isle of Man resident employees has been established subsequent to the balance sheet date.

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 (Monte Carlo)	SAYE (Black-Scholes)	SIP (Black-Scholes)
Share price on grant date	1.60	1.7675	1.7675
Exercise price	0.00	1.40	0.00
Expected volatility	29.06%	29.06%	29.06%
Expected life	3 years	3 years	3 years
Risk free rate	0%	0.95%	0%
Expected dividend yield	0%	5.60%	0%

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 and 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 and 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 scheme 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 2014 000	31 December 2013 000
Weighted average number of ordinary shares at 31 December (Basic)		**105,908**	49,749
Effect of pre-listing share options	22	**–**	–
Effect of Co-Investment plan	22	**494**	–
Effect of Save as you earn plan	22	**2**	–
Effect of Share incentive plan	22	**1**	–
Weighted average number of ordinary shares at 31 December (Diluted)		**106,405**	49,749

The share split which occurred in 2014 prior to admission (described in note 16) has been taken into account in the weighted average number of shares calculation by adjusting proportionately the number of shares outstanding as if the share split occurred at 1 January 2013. The own shares held as detailed in note 16 are excluded from the calculation of 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.

23.1 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 2013	364	49,749	0.73p	49,749	0.73p
31 December 2014	5,716	105,908	5.40p	106,405	5.37p

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 2013	7,308	49,749	14.69p	49,749	14.69p
31 December 2014	12,945	105,908	12.22p	106,405	12.17p

24 Dividends

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

	2014 £'000	2013 £'000
Final dividend for the year ended 31 December 2013 of 20p per share	**–**	2,000
Interim dividend for the year ended 31 December 2014 of 3.3p (2013: nil) per share	**3,723**	–
Total dividends recognised in the year	**3,723**	2,000
Proposed final dividend for the year ended 31 December 2014 of 6.6p per share	**7,455**	–

The proposed dividend was declared on 14 April 2015. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 29 May 2015. The total estimated dividend to be paid is 6.6p per share. The payment of this dividend will not have any tax consequences for the Group.

25 Post-balance sheet events

Other than the dividend declared post-year end as detailed in note 24, there are no events after the balance sheet date which require disclosure.

notes

notes

directors, secretary, registered office and advisers

Directors	Kevin Walsh (Non-Executive Chairman) Mike Dee (Chief Executive Officer) Gary Lamb (Finance Director) Sir Miles Walker (Non-Executive Director) Jeffrey Hume (Senior Independent Non-Executive Director)
Company Secretary	**Gary Lamb**
Registered Agent	**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 Capital Limited** 3 Cadogan Gate London SW1X 0AS
English legal advisers to the Company	**Linklaters LLP** One Silk Street London EC2Y 8HQ
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
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