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JT's ANNUAL REVIEW 2017/18

CONNECTING OUR ISLANDS

JT JOIN TOGETHER

R.80/2018

North Coast above Devil's Hole, Jersey.

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Chairman's Foreword

Since I joined the JT board as a non-executive director seven years ago, it has been immensely satisfying to see the company evolve from a locally focused telecoms operator into a global business. JT SIMs now power more than 1.6 million devices worldwide and we have recently signed strategic partnerships with a number of leading multinationals, including Inmarsat and Sony. We are living through a period of huge technological change, and I am privileged to now be Chairman of an innovative business that is well positioned to grasp the opportunities that this presents.

Phil Male
Chairman

2017 was another strong year with revenue and gross profit increases.

Starting with our financial performance (the details follow later in the report), 2017 was another strong year, with International business increasing JT's gross profit, whilst investing heavily for the future. JT continues to deliver a substantial dividend back to the States of Jersey on an annual basis and paid £4.7m during the year.

I feel honoured to have taken on the Chairmanship when the most ambitious initiative that JT has ever undertaken is nearing its successful completion. When I first joined the Board, we were just setting out on our Gigabit Jersey journey – a visionary project to connect every broadband customer in the island to a full-fibre network, which guarantees high-speed access to the internet. We were challenged at the time on its value and necessity, understandably, as the 'Digital Revolution' was still in its infancy; but for most of us, using the internet almost continuously has become an everyday part of our lives. Speedy and reliable access is now taken for granted.

We reached our original target of connected households and businesses last November, and we're now very close to connecting those final properties which have been built since the project began in 2012. Our purpose is to be always there, always on and always enabling for our customers, and our full-fibre network provides the foundations for new products, services and innovative ideas to be built on.

In a sense, JT has already moved on to our next project: removing the old copper network that fibre has replaced. That will continue throughout 2018 as old wires and cabinets are decommissioned. At that point, Jersey will become the world's first full-fibre Island, putting us 'leaps and bounds' ahead of other, much larger, jurisdictions.

Connecting the Channel Islands

JT is proud to be the largest locally-owned telecoms operator in the Channel Islands. Ultimately, we are owned by the people of Jersey, but our focus is truly pan-Island. Having guardianship of the Jersey network has allowed us to run fibre directly to every broadband home. In Guernsey, we have also invested many millions of pounds linking homes, businesses, schools and States offices in and around St Peter Port to a smaller fibre network. In addition, we operate award-winning mobile networks in both islands which have won Ookla's Speedtest Awards for 2 years running.

Connecting the world

2017 was a particularly successful year for JT International – our newly branded division tasked with developing business outside of the Channel Islands. It has launched a range of innovative product and services which primarily take advantage of JT's 750+ roaming agreements with other mobile network operators – a figure which compares favourably with some of the world's largest telcos. Our 'Internet of Things' SIM card, which can be found on an eclectic range of devices from heart monitors to 'smart' traffic lights, is particularly attractive because it will use whichever network is the strongest – and is therefore ideally suited to customers that need 'ultimate' connectivity. We are also developing low frequency, long range networks which allow machines to send simple data to each other frequently, such as temperature, location and air quality. Due to its 'manageable' size, existing mast network and diversity of terrain, Jersey is an ideal 'sandbox' for such innovation, and global giant Sony has already chosen the island and JT to test its technology.

Customer focus

Even though our global success is increasing, our Channel Island customers remain our first priority. Listening to and servicing their needs is at the heart of everything we do. We run a complex business and we can always improve, but I'm confident that our level of service, and the products we offer, are unrivalled. Our MyAccount app has proved hugely successful across the Islands and our customer service teams are constantly finding new ways to engage with a technology-savvy audience, such as through our recently launched Live Chat service.

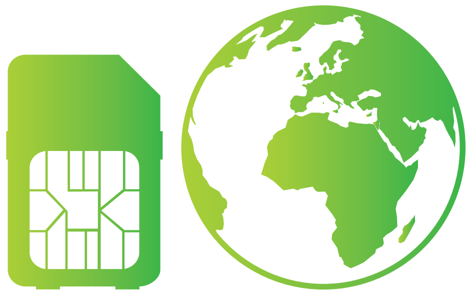
Finally I would like to thank two departing Board members. Firstly, Kevin Keen who has served for 3 years on the JT Board and was the Chairman of JT's Remuneration Committee. Secondly, my predecessor John Stares, for passing me the helm of such a strong, focused and well-led company. John's eleven years on the JT Board, the last five as Chairman, have been accompanied by a paradigm shift in the way we communicate, and, under his stewardship. My thanks to them both. JT has embraced the many opportunities that the Digital Revolution presents and I'm looking forward to an exciting future.

Phil Male
Chairman, 11th May 2018

La Pulente, Jersey

The JT My Account App
With 37,000 active subscribers, JT is the only Channel Island provider to have exclusively developed a FREE app for its customers, enabling them to control and manage their services on the go

JT SIMs now power more than 1.6 million devices worldwide.



CEO's Business Review

It is often tempting in an annual review to focus on the 'new': the new technology, the new products, new services, and the new milestones passed. However, I want to begin by recognising two crucial constants which make JT what it is and drive us forward: **our customers and our people.** Without either, we would not have been able to grow and develop into the global telecoms operator we are today. Their continued support for us and our desire to meet their needs and aspirations drives us forward, whether that be through better services, faster and more resilient networks, or more employment opportunities. Collectively, they challenge us to ask: **Where Next?** So, I begin with a sincere thank you to our customers and the team that I am privileged to lead for their trust, commitment and loyalty.

Graeme Millar
Chief Executive Officer

The world's first full-fibre island

Last year, I reported that more than 84% of broadband customers were connected to our full-fibre network. In November 2017, we reached 100% of the target we set at the very start of the project but, since 2012, thousands more properties have been built and we expect to connect the final one before this summer. Upon completion, Jersey will become the first full-fibre jurisdiction in the world, meaning unrivalled upload and download speeds for households and businesses. One recent fibre installation which I'm particularly proud of is the Central Market in Jersey. Running fibre in and around a 137-year-old building was a technical challenge but the result means traders can now offer new online services to their customers, bringing our historic market into the modern, digital world of commerce.

Running fibre in and around a 137-year-old building was a technical challenge.

The Central Market, Jersey

Removal of copper infrastructure, La Collette Flats, Jersey

Officially the Island's
FASTEST NETWORK
Speedtest® by Ookla® verified

La Collette Flats became the first part of the Island to become completely 'copper-free'.

As one project ends, another begins

With the Gigabit project nearing completion, our attention has already turned to removing the old copper network, which has served Jersey well for over a century but has now reached the end of its useful life. Towards the end of last year, Andium Homes approached us to ask if we could remove the copper lines and telephone cabinets around La Collette Flats, as they were demolishing 59 older homes to build 147 apartments that meet the highest standards of build quality and thermal efficiency. We grasped the opportunity to replace the old copper network with fibre in full, and La Collette Flats became the first part of the Island to become completely 'copper-free'. Over the next 12 months, we will repeat that process across the Island, and all the recovered copper will be recycled.

"It has been fantastic to work with JT on this project. The demolition and rebuild is all about giving our residents homes that are fit for the future, which is exactly what JT is doing in communications. The arrival of fibre is great news for our own residents as well as the wider community."

Mike Porter, Andium Homes
Head of Operations.

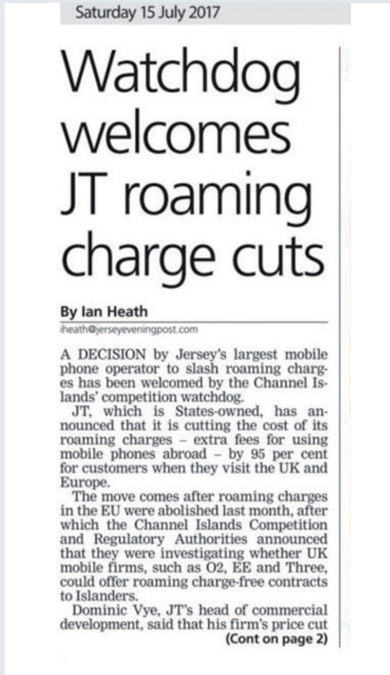
Still the fastest networks in the Channel Islands

For the second year running, JT was confirmed as the fastest mobile carrier in the Channel Islands, and broadband provider in Jersey during 2017, by Ookla – the globally recognised leader in internet performance testing and metrics for broadband and mobile networks. Results from all networks across the Islands were analysed by Ookla, which runs Speedtest, the world's most popular internet performance testing service. Consumer-initiated test results confirmed that JT had faster speed scores than any of its competitors.

Roam like home

Last year, we also were the first operator in the Channel Islands to cut our data roaming rates by 95% after negotiations with more than 150 operators across Europe and beyond. This was in response to an EU-wide directive ending roaming charges and even though our Islands are outside of the European Union, we were determined that our customers shouldn't be disadvantaged. By putting our customers' needs first, more people enjoyed dramatically reduced roaming bills over the key summer period and could travel with confidence.

Leading the market, JT were the first to dramatically reduce data roaming rates.



Saturday 15 July 2017

Watchdog welcomes JT roaming charge cuts

By Ian Heath
iheath@jerseyeveningpost.com

A DECISION by Jersey's largest mobile phone operator to slash roaming charges has been welcomed by the Channel Islands' competition watchdog.

JT, which is States-owned, has announced that it is cutting the cost of its roaming charges – extra fees for using mobile phones abroad – by 95 per cent for customers when they visit the UK and Europe.

The move comes after roaming charges in the EU were abolished last month, after which the Channel Islands Competition and Regulatory Authorities announced that they were investigating whether UK mobile firms, such as O2, EE and Three, could offer roaming charge-free contracts to Islanders.

Dominic Vye, JT's head of commercial development, said that his firm's price cut

(Cont on page 2)

International growth; enabling local prosperity

Almost three-quarters of our total revenue last year came from our International business, which reflects our expanding work and influence globally. You can read more about this later in this review, however, from a strategic perspective, it's important to explain why we are increasingly working beyond our shores.

The Channel Islands have a technologically-savvy population and a dominant financial services industry dependent on the speedy and safe processing of huge volumes of digital data. Yet we remain just 165,000 people with a competitive telecoms market, so we cannot rely on local revenue alone to pay for the infrastructure that our islanders rightly expect. To allow us to provide this, our partners and customers everywhere from Kenya to Canada all play their part helping us generate revenues to reinvest back in our islands.

Utilising the 750+ roaming agreements that we have signed with other operators, we've built a number of innovative products. In particular, we have developed world-leading expertise in managed connectivity, SMS message routing, fraud protection services and the Internet of Things (IoT). More than 1.6 million JT IoT SIM cards are now in devices worldwide and we have partnered with some leading global businesses, such as Inmarsat, who have identified JT as the ideal operator to give their technology uninterrupted connectivity.

In December, we also signed an agreement with Andorra Telecom to work together in areas such as IoT and Information Security. The cooperation programme will also promote the professional development of our people through secondments and knowledge-sharing. From our apprenticeship, bursary and graduate programmes to technical qualifications and management training, JT is a business built on progression and committed to opportunity.


Super league triathalon, Jersey

A major new sporting event held on the St Helier Waterfront which was broadcast to millions.


JT Market Rocks, Guernsey


Pixie Lott, Herm

Supporting our local community

As well as working to provide the products and services our customers require, we have a similar emphasis on ensuring we play our part in supporting and making an active contribution to the communities in which we live and work. There is a section on our community involvement later in this Annual Review, however two events in 2017 really stand out for me. In Guernsey, we helped to organise a free open-air concert in Market Square, as part of The Lord's Taverners Summer Celebrity Cricket Weekend, which we have supported for the past seven years raising vital funds for this local charity. Whilst in Jersey, we were the official Technology Partner for Super League Triathlon, a major new sporting event held on the St Helier Waterfront which was broadcast to millions of people around the world bringing massive attention to Jersey.

Round-up

As well as our International expansion, JT's true success is built on the loyalty and support from Channel Island customers and we will continue to listen to them, through the many channels that people now choose to communicate. We're committed to continually learning, adapting and improving and can only do so if our customers keep giving us feedback and we keep listening. Thankfully, through our mobile and full-fibre networks, as well as at our shops and through our contact centres and social media, customers have every opportunity to get in touch – and I'm grateful that they do.

In conclusion 2017 was a great year for JT and I sincerely thank all of our stakeholders for their support, our customers for their loyalty and our people for their dedication. As we enter the full-fibre age in 2018, I'm really looking forward to seeing what, together, we can achieve.

Graeme D. Millar

Graeme Millar
CEO, 11th May 2018

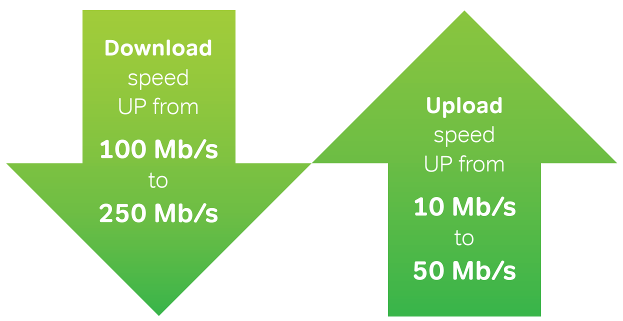
OUR BUSINESS

St Ouens Bay, Jersey

A full-fibre future

This year, Jersey will become the world's first 'full-fibre' island, with every household and business directly connected to JT's ground-breaking fibre network. Fibre means that data speeds are guaranteed to the front door without any loss of signal strength along the way.

From May 2018 our data speeds will more than double.



When JT embarked on the Gigabit Jersey project in 2012, there was some doubt that the internet would become as important and widespread as we were predicting. Now, few would doubt the significance of that investment in light of all the digital services that we take for granted, from catch-up television and smart homes to storing music collections in the Cloud. And that's not to mention the crucial role that technology plays in health, education, business and commerce.

From May 2018, JT Fibre Broadband customers will begin to enjoy the fastest data download speeds in the world, when we more than double download speeds from 100 Mb/s to 250 Mb/s and increase upload speeds from 10 Mb/s to 50 Mb/s on our entry level plans.

According to the Speedtest Global Index, which compares internet speed data from around the world on a monthly basis, the country with the fastest download speed in January 2018 was Singapore, with an average of 161.53 Mb/s, followed by Iceland, at 157.73 Mb/s. The UK was in 29th position, with an average of 50.45 Mb/s.

FIXED BROADBAND GLOBAL AVERAGE

Download Mb/s	**Upload** Mb/s
42.71	20.39

Rank	Country	Download Mb/s
1	Jersey	250.00
2	Singapore	161.53
3	Iceland	157.73
4	Hong Kong (SAR)	129.64
5	South Korea	117.49
6	Romania	105.74
7	Sweden	93.24
8	Hungary	90.94
9	Macau (SAR)	87.92
10	United States	84.66

Jersey will rank FIRST at the top of the global leader board with speeds of up to 250Mb/s. It will also be the first place in the world to have every residential property and business directly connected to a full-fibre network.

A little over 34,000 services were listed to be connected when the first property was equipped with JT Fibre in May 2012. We reached that original target last November, but more homes and offices have been built since then and the extra 5,000+ connections will be completed by the middle of this year.

The JT Fibre project has provided hundreds of jobs in the Island, with the majority being local contracted staff supported by around 20 permanent JT staff. Other parts of the JT business have also contributed significantly to the project. JT has invested in staff and contractors by putting many through the City & Guilds Fibre Optic Cabling qualifications and a number have gone on to become full members of the Fibre-optic Industry Association.

Of course, fibre is not an end in itself; it is an enabler which helps other technologies to be deployed. We hope that the Island – with its new robust, speedy and scalable communications infrastructure – takes full advantage of the digital revolution to develop new services, find new efficiencies, identify new USPs and add new economic strings to its bow.

With JT Fibre and the growing influence of Internet of Things (IoT); emerging industries like Fintech, Cloud computing, AI, Chatbots and Blockchain all become very real possibilities for our Islands, enabled by JT.

Becoming the world's first full-fibre island has undoubtedly been a challenge but thanks to the work of an incredibly dedicated and resourceful team and the backing of our shareholder, JT has delivered a world-first and as such Jersey now has the foundations for many years of prosperity and economic development.

"I have fibre at home so I know that it's a lot more stable, and that is going to be a real bonus for us in the market. We have so little spare time, it's important to utilise all the time we can as efficiently as possible, and fibre will do that for us."

Jane James,
Jane James Ceramics

"Fibre broadband will benefit me because my computer is cloud-based so I need a fast and reliable internet connection to help process transactions."

Donna Schollhammer,
Donna's Cake Decorating Supplies

FULL-FIBRE IN FIGURES

150: number of people on JT's fibre team

£47.5m: project cost

3,000+: kilometres of fibre-optic cable laid

c40,000: properties connected to the network

604,740: devices connected to Jersey's full-fibre network

25.7: number of devices, on average, connected in each broadband premise in Jersey

1: in the world for full-fibre connectivity

1: in the world for download and upload speeds

Our thanks go to JT for their on-going support, which has helped us to secure some of the best tribute acts on the scene.

David Nussbaumer

What's happening in Guernsey?

JT's second Channel Island home in Guernsey is growing from strength to strength and we're really proud to be the only locally owned Telco in the Channel Islands. From our early days as Wave Telecom, JT has fought for a fair deal for islanders, providing fast, reliable and affordable communications to an ever-growing base of loyal residential and business customers, in an island with a strong digital agenda and future.

Our position (and responsibility) as the largest telecoms operator in the Channel Islands means that we have the resources, expertise and experience to provide world-class infrastructure and customer service. It means we have the skills to provide both the fastest mobile network in Guernsey*, and to install a full fibre-optic network 'ring' in and around St Peter Port. An £11m investment that was initially planned to link schools and States buildings, this is now also being rolled out to residential properties and businesses as quickly as we are practically able to do so.

With guaranteed download speeds of 1Gb and upload speeds of 100Mb/s, fibre technology has allowed Guernsey businesses to flourish.

Our continued investment and genuine passion for Guernsey extends beyond our award-winning mobile and fibre networks. JT's two data centres provide a range of diverse co-location and hosting services, which are highly secure and resilient. We are also a hosting and network partner of the Alderney Gambling Control Commission, meaning we are licensed to support the Island's growing e-Gaming sector. We also provide tailored private circuits to Guernsey businesses, guaranteeing secure, dedicated internet connections for high speed voice, video and data transfer.

In the business arena, JT has a long-standing relationship with the Institute of Directors in Guernsey which saw us sponsor their Seminar series for the 4th year. Bringing together key business leaders, stakeholders and influencers these seminars cover thought provoking topics throughout the year which we actively participate in. We were also heavily involved in the Digital Greenhouse Guernsey's inaugural digital apprenticeship scheme helping young talent gain valuable work experience in the digital and technical space over the summer. This 8 week programme creates valuable opportunities for young talent to gain real life experiences in the workplace.

We are also long standing supporters of National Coding Week, an international effort to teach coding skills to children and adults. In 2017, the fourth NCW, more than 100 people attended events at the Digital Greenhouse, including 50 trying coding for the first time.

"I would like to thank JT for continuing to support this great fundraising weekend. JT's commitment ensures that we can support important projects such as a number of mini busses for children to use, supporting the KGV with developing The Lords Taverners Cricket Pavilion as well as a number of smaller grants to young individuals within the community.

Alex Ford,
Chairman

Lord's Taverners
Giving young people a sporting chance

"I expect that this year's Winter Seminar series will match last year's great success and I would like to thank JT for its ongoing sponsorship."

James Ede-Golightly,
Committee member
& series organiser

As proud as we are of our achievements in Guernsey, we love nothing more than giving back to the wider community in which we live and work in. We're a huge supporter of local music talent and helping to bring other acts to the Island. The free JT-sponsored Cobo Bay Balcony Gigs have been running for over five years and are attended by thousands of islanders and visitors each year and in 2017, we introduced a new concert to Guernsey's social calendar – JT's Celebrity Market Rocks, in aid of the Lord's Taveners. With top local act Buffalo Huddlestone headlining, the free gig included appearances by celebrities visiting for the Lord's Taverners annual Summer Celebrity Cricket Weekend, which JT has sponsored for the past seven years. House on Herm and Sunset on Herm are two other very popular events which JT is honoured to support.

JT is fully committed to continuing to invest in Guernsey and we want to continue to give our customers the best deals and the best networks to enable them to take full advantage of what we have to offer. The States of Guernsey is in the process of developing a digital strategy with a vision to make the island one of the most connected places on the planet. JT is ready to play a full part in turning that vision into a reality, and we're really excited for the digital future.

* As verified for two years running by Ookla, the world's leading speed-test application.

The Internet of Things

JT is a global leader in IoT connectivity. Other mobile operators may steer customers onto a particular network but JT's IoT SIM simply roams onto whatever network is strongest. Having a strong and consistent internet connection is vital; if the SIM card is in a heart monitor, for example, that is very important.

JT is making fantastic strides in the IoT space and is expanding rapidly on a global scale. In 2017, for example, we added the ability to change a SIM card's IMSI (its unique identifier) over the air. If a customer approached to us and said: "We want to use JT's IMSI, but we've negotiated a fantastic rate with an operator in a particular country", we can put multiple IMSIs on each device with relative ease. That is a significant technological development.

We have big ambitions when it comes to managed connectivity as well. The IoT market is exploding and technology companies are keen to create IoT solutions – and JT wants to power those solutions. We want to take responsibility for connectivity, leaving the technology companies free to concentrate on the functionality of their applications. Connectivity might be the 'boring' bit, but it's the bit JT does very well.

Already, JT IoT SIMS are used extensively by logistics businesses tracking vehicles or assets and healthcare firms, where ultimate connectivity is hugely important, such as in devices that monitor blood pressure. They are also used in agriculture to track and monitor livestock, banking payment systems and many, many others.

IoT already powering smart farming in Jersey

"I have the cows' whole life history at my fingertips, and I can be completely confident that the data is accurate and reliable. This wouldn't be possible without JT's full-fibre broadband and 4G networks and it's definitely a real-life example of their investment paying dividends".

Becky Houzé, Lodge Farm in St Saviour.

exel TECHNOLOGY GROUP

"We have been partnering with JT since early 2013. We've found JT's solution to be the most reliable in terms of performance and capability out of all solutions we have tried. In terms of the JT team, they have been there whenever we needed them. They have been fully supportive of our business needs and they have always been there to help."

Richard Moore, Chief Executive at Exel Technology Group Limited.

Away from cellular networks, IoT devices can also communicate over 'Low-Power, Wide-Area-Networks', which use a different part of the radio spectrum. This is useful for transmitting small packets of information over long distances. Sensors transmitting information over this type of network could, for example, monitor air quality, charge drivers when they park in a space, or tell refuse collectors when a bin needs emptying.

Jersey is a perfect environment to test 'LPWAN' technology because it is small, has a varied terrain and has world-leading infrastructure, including a full-fibre network, already in place. In partnership with Digital Jersey, JT is creating an IoT Laboratory in the island. By the middle of 2018, we will have a laboratory built in one of our exchanges and we will be stocking it with our partners' solutions and devices to showcase what IoT can be used for, using all types of connectivity networks. There are different types of low-power networks and Jersey already has two: a 'Long-Range, Low-Power' (or LoRa) network and another variant built and tested by Japanese tech giant Sony.

To demonstrate the potential of this latter network, JT deployed receivers in the centre and south of the island. Extensive drive and walk tests were undertaken by Sony Europe's engineers to confirm the extent of the coverage offered and therefore the potential low cost of operating a network using this innovative technology.

Commenting on the trial, Steve Beck, General Manager of Telecoms Research and Development at Sony Europe, said: "JT's assistance during the trial was excellent and we really appreciated their support. While it wasn't possible to drive down every road in the time available, we covered a large number of routes and were pleased to confirm such wide coverage using just two receivers."

With so many different networks, we expect more technology businesses will want to come to Jersey to test their networks and devices. We plan to introduce more low-frequency technologies later this year. With its full-fibre, mobile and innovative radio networks, Jersey is quickly becoming one of the most connected places on earth.

Homegrown innovation on an International stage

Our JT International division is driven by innovation and over the past five years has grown from strength to strength. Led by Managing Director Tom Noel, the division (previously JT Wholesale) has developed four principal products, which now contribute almost one quarter of JT Group's EBITDA.

JT maximises the use of our network capacity, passing on the cost benefits to our customers.

JT International's success is primarily built on making use of the capacity in JT's well established, world-class infrastructure and our expertise in managed connectivity. Its aim is to create fast, original and agile solutions to ensure JT maximises the use of its network capacity and passes on the cost benefits to our customers.

Increasing international revenues not only means that more money can be reinvested into our Channel Island networks; it also means that Jersey and Guernsey businesses can benefit from ground-breaking technology, such as taxi firms that can track their fleets around the islands to reduce journey time and fuel consumption, banks that can better protect their customers from fraud, or States departments that can more accurately monitor our environment.

JT International has built a suite of products that meet increasing demand for guaranteed connectivity, seamless and affordable roaming, and secure communications. Our latest is called Inbound Network Extension (INE). With INE, JT's roaming agreements sit on top of other operators' networks, which allows them to capture inbound roaming traffic. These operators typically don't have their own roaming agreements, or have far fewer than JT.

Take Telkom South Africa (TSA), for example. Before they partnered with JT, they had just under 100 roaming agreements with other operators. With INE, they now have more than 300 using JT's existing agreements. Behind the scenes, our team handles the business-to-business billing, as well as the data and financial clearing on behalf of TSA, providing a seamless experience for the customer.

With the popularity of such platforms as WhatsApp, some technologists were predicting the death of Messaging, but with the growth of such services as two-factor authentication and 'chatbots', it is undergoing a renaissance. JT, for instance, completed a record-breaking four billion mobile transactions in 2017.

Once again, JT has found an opportunity to save customers time and money. JT manages a great deal of routing information for 'messaging aggregators' who want to better understand their customers. In the UK, for example, the aggregator - who typically sits between a business, such as clothing brand targeting a particular customer, and a mobile network provider - can use JT's service to instantly identify what network that customer belongs to. The fewer routes the message has to travel, the more efficient and cheaper it is for everyone.

We all recognise that fraud is a very real danger, particularly when we are overseas. JT International has developed a Fraud Protection Service, which uses mobile operator data to provide real-time information to companies to help them prevent fraud and protect their customers. For example, in order to know if a cash withdrawal is legitimate, a bank can check if the customer's mobile phone is next to the ATM by monitoring its location. Or online gambling companies can check if a customer is above the legal age limit by cross-referencing their details with the billing data in a mobile network operator's system, which will include their date of birth.

The final focus and largest growth area of JT International is the Internet of Things, which is featured in full on page 16. Together, these products meet global demand, they raise significant revenue to reinvest in local networks, and they have established JT and the Channel Islands as a centre of digital innovation, which will be recognised for many years to come.

Contrary to market predictions, we don't expect the messaging demand to slow down anytime soon.

Globally present

With more than 750 roaming partners and more than 1.6 million global connections, it is not surprising that JT has a growing international presence. We have more than 600 global employees, across 11 locations and are proud to service over 2,200 business customers globally.

While our heart beats firmly in the Channels Islands, our international activities fuel growth that benefits the whole group, our customers and our shareholder.

KraftHeinz

"We were very attracted to the truly unique and industry-leading solutions that JT offers. It was evident that their approach to tailor solutions to meet our business needs would enable us to achieve our objective of consolidating our systems and improving connectivity for our staff.

Francesco Tinto, Global CIO of Kraft Heinz

Meet some of our business leaders who coordinate JT's global operations.

Barna Kutvolgyi is the CEO of ekit and Managing Director of JT in the Channel Islands. As part of the JT Group, ekit supports and operates its own global infrastructure with points of presence in Melbourne, Boston, London and Jersey. JT's ekit team manage global operations, software development and are a trusted provider to some of the travel industry's most influential organisations.

Craig Samuel, who is based in Arizona, leads our American activities, helping US and international customers enable and connect their IoT (and other) solutions with JT across the world. JT also has a team based in Chicago who look after large enterprises, such as Kraft Heinz who, with JT's help, rolled out a new telephone system and infrastructure to their offices last year.

Based in Melbourne, John Diamond is our Australian and Asian senior Vice-President. In 2018, JT Australasia Pty. Ltd. was formed to promote the upcoming Fraud Protection Services business.

Paul D Taylor, who is Managing Director of JT in Guernsey also has responsibilities across Europe, the Middle East and Africa, supporting business and international customers and seeking new opportunities for the group.

In 2017, we appointed Elliott Mueller as CEO of our London-based JT Global Enterprise division. A niche player in a large field, JT Global Enterprise is able to provide some of the UK's leading companies with innovative and agile solutions that other larger providers are unable to support.

BEAR GROUP LIMITED

"JT took the time to understand Bear Group's needs, providing a robust, secure, and accredited Cloud solution."

Bear Group.

Roam the world

Our first roaming agreement was signed 25 years ago, and we now have a portfolio of 750 operator partnerships globally. Every year, our roaming team, based in Jersey, has to renegotiate all agreements to secure the best possible rates for customers. We work to constantly upgrade our agreements and connectivity to the latest technologies, which requires testing with each network, taking our team to all parts of the globe. It is no easy feat, but it's important for our customers to have access to every network in the world when on business or leisure travel. These agreements also support JT International products, particularly in the IoT space.

The global journey of e-Gaming

e-Gaming companies are understandably keen to grow market share by sharing their gaming content across networks and platforms globally so, in 2017, we made it possible for our customers to expand across multiple jurisdictions using JT as a single service provider.

Changes in gambling regulation now mean that gaming operators are likely to require separate licences from different regulators in each country they expand into. Dealing with a different service provider in each jurisdiction would make this journey even more time and resource consuming so, at JT, we responded to this demand by signing data centre partnerships across the globe. We will soon have partner centres available in Canada, Hong Kong, USA, Gibraltar, Malta and Australia.

As with all our global relationships with trusted providers, it means we can pass these time and cost benefits onto our customers, while reinvesting into our Channel Island networks.

OUR PEOPLE

Bouley Bay, Jersey

Our People, Their Customers

Our customers are a big part of what makes JT. The other important part of our DNA is our people. Our people drive this business forward every day; they are innovative and passionate and most importantly they strive to give our customers the best experience they can.

Here we meet some of our customer facing people and hear what their customers have to say...

★★★★★

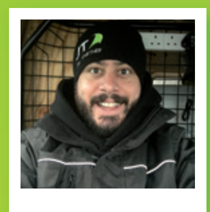
DAVID KITTOW

Customer Solutions Engineer

Why JT? I love the diversity of the job as one day I could be up a telephone pole and the next I could be installing the latest smart home products.

Piece of tech you can't live without: My iPhone – I use it for all my general work and emails, but additionally its now become one of my main tools for faulting routers, Wi-Fi issues, IP issues.

Customer compliment: "I just wanted to say a huge thank you to David, who helped connect my 90-year-old Mum to Wi-Fi! A fabulous job and loads of patience with her. Thanks a million! Dave has been extremely helpful in resolving the issue and has provided us some very useful and valuable advice. What an absolute asset Dave is to your team."



★★★★★

LEON BOUHAIRE

Customer Solutions Engineer

Why JT? The products and services we provide are world-class and I work with such a great team. My days are varied, challenging and exciting.

Interesting Fact: My father worked at JT for 38 years before retiring and my wife joined 6 months ago so JT is a very big part of the Bouhaire family.

Customer compliment: "I just wanted to say that I was very impressed with Leon. He came up with a quick and easy solution to fix a problem cable that had been uncovered by the removal of a carpet during renovation work in my house. The alternative would have involved chasing a concrete wall, more work, more expense for me and a LOT of dust. He was both friendly and professional".

★★★★★

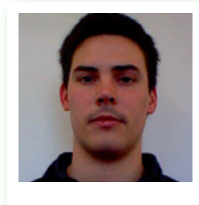
LAUREN DE SOUSA

Business Relationship Manager

Why JT? JT is made up of many talented and passionate individuals and I feel part of an organisation with customers at the heart of decision making.

Tell us something about you: I was the manageress of a local patisserie for 6 years before joining JT.

Customer compliment: "As a business customer with JT I would like to let you know that I received excellent service from Lauren. She was helpful, polite and prompt in all our dealings. All my queries, problems and solutions were dealt with successfully, with no delay."



★★★★★

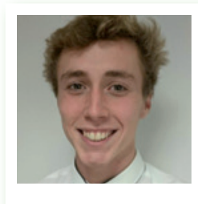
PAUL RENAULT

Consumer Engineer

Why JT? For me, it's meeting the customers and working on solutions that benefit them.

Tell us something about you: I like to do woodwork in my spare time.

Customer compliment: "I would like to commend the excellent service and extensive advice given by Paul Renault; I would readily recommend him to anyone. Massive thanks to Paul Renault for sorting out an issue brought on by a UK company. Cheers Paul!"



★★★★★

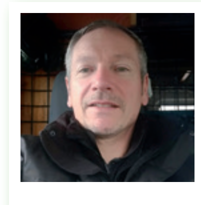
DOM BARNES

Retail Sales Advisor

Why JT? I started working at JT after finishing college and have done since. I enjoy working at JT because everyone shares the same vision and is dedicated to the cause. That being to enable, acknowledge and act as the top telecommunication company on the island! This truly is a great family environment where everyone is there for each other, and never hesitates to help one another. I look forward to staying with JT and moving on up as the years go on.

Interesting Fact: I suppose a weird fact about myself is anything with more than four legs creeps me out.

Customer compliment: "Amazing – JT – Dominic Barnes. I was having a few issues in store at JT this afternoon and Dom saved me! His customer service was fantastic! He has the patience of a saint, I would highly recommend him if you are having any problems. Really lovely genuine guy JT are very lucky to have him. Thank you Dom!!"



★★★★★

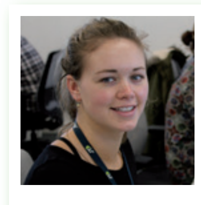
DARREN KENNY

Customer Solutions Engineer

Why JT? I enjoy that each and every job can be so different. I also get a lot of satisfaction after resolving a technical fault for our customers.

Piece of tech you can't live without: My iPhone would be one of the top 5 tools that I use on a daily basis to do my job, emails, scheduled work and the apps that I found invaluable like the spirit level!

Customer compliment: "I wish to compliment JT on the excellent assistance I have received from Darren, I found him a very pleasant, knowledgeable, and experienced person, who fitted a new modem, tested the system and ensured that there were no more problems. He is a real asset to Telecoms, well done!"



★★★★★

PIPPA DONOVAN

Digital Customer Experience Co-ordinator

Why JT? It's a local company who cares about our customers, our Islands, and its employees. There are great career development and training prospects in JT and I've learned such a lot in the time that I've been here.

Tell us something about you: I was part of the England rounders team for 6 years! (Yes, rounders is a sport! And yes, there is a national team!).

Customer compliment: "From start to finish she was extremely knowledgeable, helpful, polite and patient and I really felt she went the extra mile. Pippa's friendly personality definitely came across online. Her knowledge was second to none. An excellent all-round employee!"

★★★★★

STEPHEN PAGE

Private Circuit Engineer

Why JT? I enjoy the large network projects I am involved in (particularly LAN & WAN) and I enjoy working with our business customers to make their life easier and their business more efficient.

Piece of Tech you can't live without: My fibre level loss meter – used to measure the given light level loss of a fibre.

Customer compliment: "Stephen's performance throughout our 6-month migration period has quite simply been remarkable. Stephen's communication to us has been very clear, concise, with follow up reminders and very helpful hints and guidance which has greatly assisted in making this a major success."

JT in our communities

At JT, we're proud of our Channel Island roots and the contribution we make in our local communities. We're also lucky to have people who champion and volunteer for community involvement in their own time.

Every year, we ask our people to vote for a chosen charity and 2017 was dedicated to the hard work of Alzheimer's charities across the islands, where our teams raised over £10,000 for Jersey Alzheimer's Association and Guernsey Alzheimer's Association.

We also support many other events and community activities, all with the aim of giving something back to the people of our Islands: both residents and businesses.

There were many highlights for us, here are but a few...

LET'S GET RECYCLING

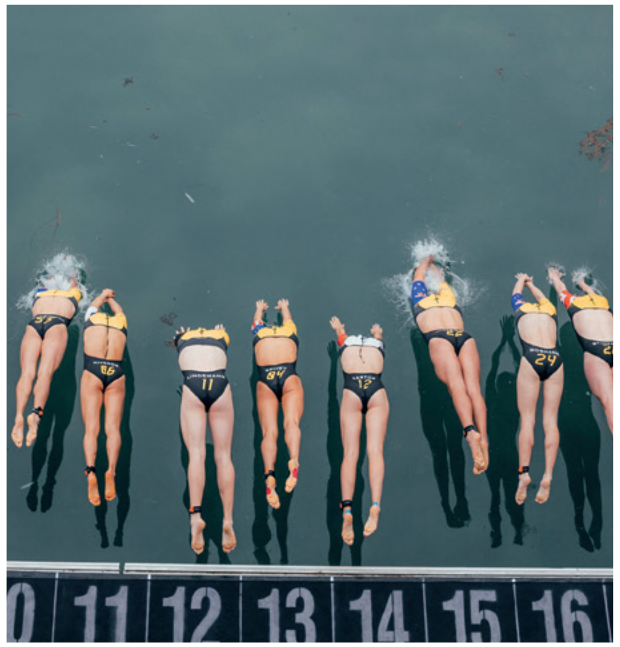
We worked with local primary schools across Jersey to recycle more than 8,000 telephone directories. The campaign encouraged children to reduce waste and teach them the importance of recycling, in exchange we donated 53 tablets to schools throughout the island.

JT DAREDEVILS

Our 'JT Daredevils' – ten intrepid JTers who volunteered to freefall from 10,000 feet above St Aubin's Bay before parachuting down to land on the beach to raise money for charity.

FREE CODE WORKSHOP

2017 was the 4th year for National Coding Week, which we have sponsored in the islands since its inauguration. The week was the most successful yet and saw hundreds of local and global activities taking place. JT ran free coding workshops for start-ups and small businesses.



SUPER LEAGUE TRIATHLON

Jersey hosted the Super League Triathlon with JT as the official Technology Partner. The weekend of sporting action in September brought some of the sport's biggest names to Jersey for plenty of high-adrenaline action that reached a worldwide television and online audience.

WINTER SEMINARS

JT's longstanding support for the Institute of Directors Seminar Series saw 4 high profile topics debated amongst large audiences of industry leaders and key business influencers in Guernsey.

AUTISM JERSEY GOLF DAY

We sponsored and supported the annual Autism Jersey Golf day, which raised over £20,000.

SUMMER OF MUSIC

JT provided over 25 FREE music events showcasing local and International talent in Guernsey through our sponsorship of Celebrity Market Rocks in aid of The Lord's Taverners, The Cobo Bay Balcony Gigs, the House on Herm and Sunset on Herm festivals.

IN REPONSE TO IRMA

JT also joined the Channel Islands' response to the destruction caused by Hurricane Irma in the Caribbean and Florida by waiving all roaming charges for any JT customer caught up in the disaster.

PERFORMANCE REVIEW

Fort Clonque Causeway, Alderney

Performance review

How are we doing?

JT's financial results are similar to last year's, but with higher depreciation charges reflecting JT's ongoing investment in Jersey infrastructure and higher tax charges due to US tax rate changes.

Revenue is obtained through providing telecommunication services to consumer, enterprise and wholesale customers: fixed access charges and network usage, mobile airtime usage, messaging and data services, interconnection and roaming revenue, broadband rentals and usage, private circuit rentals, equipment, sales through international sponsored roaming, fraud protection services and IoT and maintenance and support services.

Revenue rose by 41% to £260.7m mainly from the increase in low margin off-island wholesale voice revenues (137%) (2016: -20%). Other increases in revenue from our growth business lines within fraud protection services (48%) (2016: 48%), sponsored roaming (117%) (2016: 100% as new business line) and IoT (19%) (2016: 138%) helped to offset the decline in fixed line (-5%) (2016: -8%) and equipment and device sales (-14%) (2016: 26%).

Gross profit rose by 1% to £92.0m, mainly due to growth in our international lines of business in fraud protection services (48%) (2016: 16%) and IoT business (20%) (2016: 101%).

Operating profit was £11.1m (2016 £11.7m). This decrease was mainly due to an increase in depreciation and amortisation (excluding goodwill) charges from £16.8m to £19.3m arising from JT's continued investment in its network to support local and international customers. Capital expenditure during the year was £22.0 m (2016: £22.8m). The Gigabit programme made up 54% of the overall investment in 2017. Increased depreciation charges were somewhat offset by falling operating overheads and costs across the group.

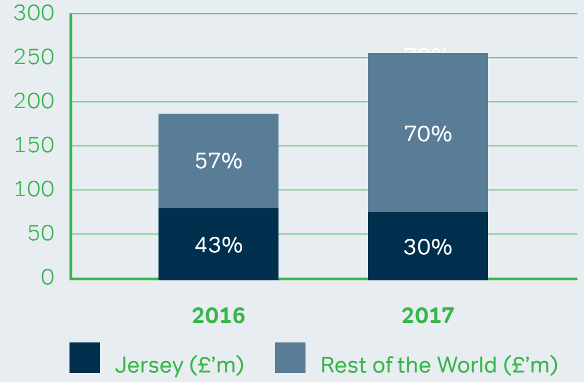
Profit on ordinary activities before taxation was £9.0m (2016: £9.0m) despite a fall in operating profits following an increase in the value of shares purchased in Energous Corporation of £0.2m and decreased interest charged to the income statement of £0.3m compared to 2016.

Profit on ordinary activities after taxation was £4.8m (2016: £6.0m) from increased tax charges following tax reform in the US which resulted in a prior year adjustment to reduce the value of our deferred tax asset in ekit.com Inc (a US subsidiary).

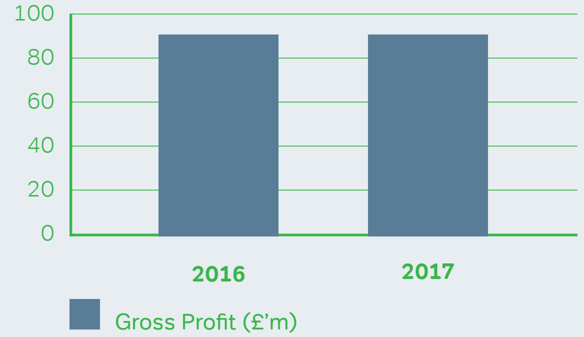
Headline results

JT Group Limited	2016 (£'m)	2017 (£'m)
Revenue	185.0	260.7
Gross profit	90.7	92.0
Operating profit	11.7	11.1
Profit on ordinary activities before taxation	9.0	9.0
Profit on ordinary activities after taxation	6.0	4.8

Revenue (£'m)



Gross Profit (£'m)

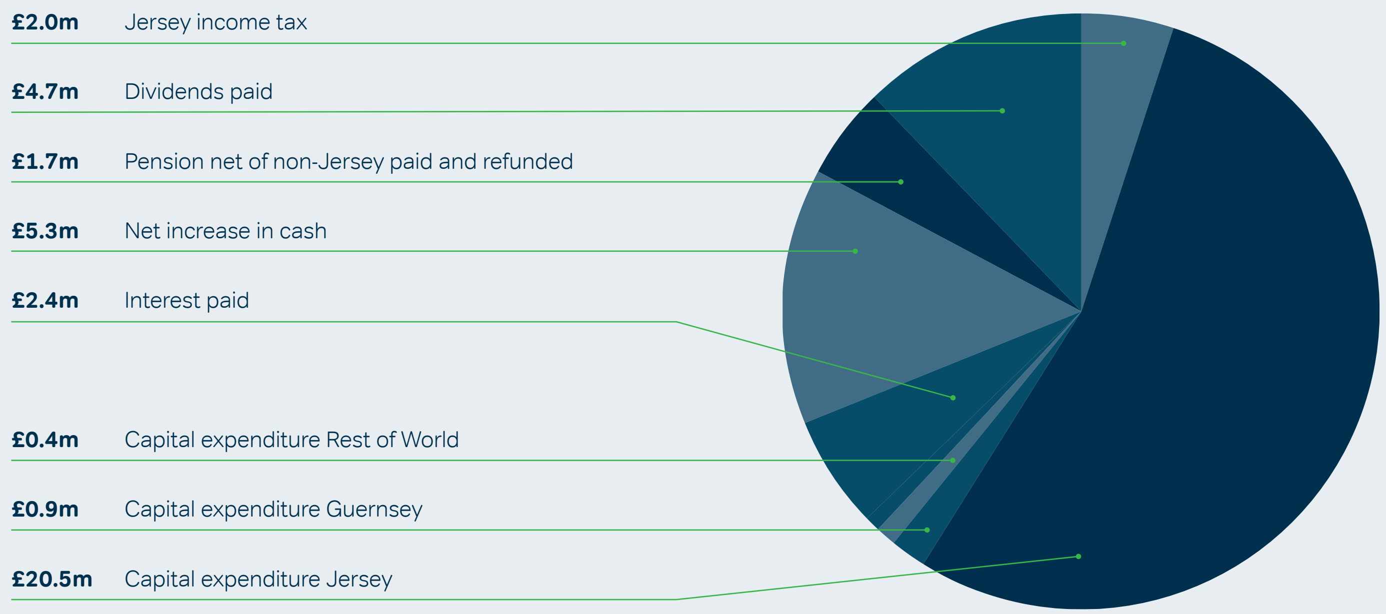


Ordinary dividends paid during the year rose by 52% (2016: 81%). No exceptional dividend (2016: £2.4m) was paid during 2017.

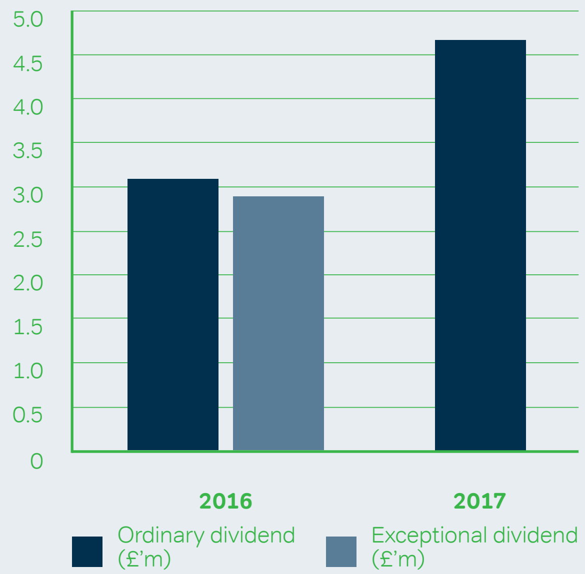
Cash flow from operating activities decreased by 13% to £37.5m, and of this cash generated:

- £21.8m (2016: £23.5m) was used on capital expenditure, equivalent to 8% (2016: 13%) of revenue
- £6.9m (2016: £7.6 m) was paid to States of Jersey as corporate tax, preference interest and dividends
- £1.7m (2016: 2.0m) was used to contribute to pension schemes and net of non-Jersey taxes paid and refunded
- £2.2m (2016: £2.2m) was used to pay net interest on borrowings, offset by £0.4m (2016: £nil) in proceeds from disposals, leaving £19.8m (2016: £14.8m) in cash at bank at year end.

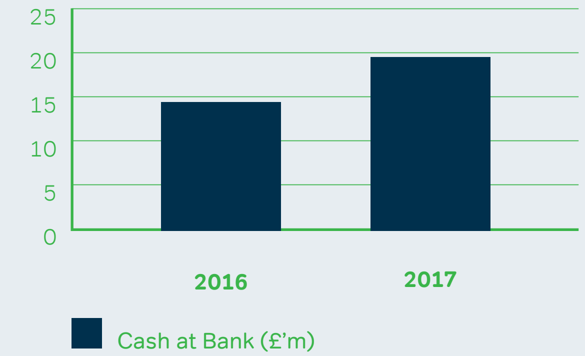
"JT's global success brings investment back to the Island and its Jersey shareholders"



Dividends paid (£'m)



Cash at Bank (£'m)



Board of Directors

PHIL MALE
Chairman
(with effect from 1 April 2018)

After obtaining a computer science degree at Imperial College, Phil Male was a founding director of Computer Newspaper Services and became involved in the start-up of Demon Internet (one of the world's first commercial Internet Service Providers), ultimately becoming the Technical Director with responsibility for all operational and development activity. The company was acquired by Scottish Telecom in 1998 and Phil was one of the three founding directors that floated the combined business on the London Stock Exchange as THUS Plc in 1999.
Phil became Chief Operating Officer in 2002, and when THUS was acquired by Cable & Wireless Worldwide in 2008, Phil became Group Operations Director, then Chief Strategy Officer and served on the Executive Board, leading the demerger and listing of Cable & Wireless Worldwide Plc in 2010. Phil left Cable & Wireless in 2010 and today serves as a Non-Executive Director on a number of boards, actively investing in new technology businesses, and works in an advisory capacity with a number of institutions in the City.

COLIN TUCKER
Non-Executive Director,
Senior Independent Director

Senior Independent Director
Dr Colin Tucker trained as an Electrical Engineer at UMIST achieving a BSc, MSc and ultimately a PhD. He has spent over 25 years in the telecommunications industry in a number of senior roles. The last two positions were as main board director and COO of Orange Plc and Managing Director and Deputy Chairman of 3. Colin has also served as a Non-Executive Director for Sarantel, TTP, Morse, and Monitise and as Chairman of UIQ Technologies. In addition to his industrial experience Colin has acted as Industrial Professor at Loughborough University and continues to assist in the academic world with management and mentoring of spin-out companies coming from Edinburgh University.

SEAN COLLINS
Non-Executive Director, Chairman
of Audit and Risk Committee

A chartered accountant and a graduate in Classics from Cambridge University, Sean was formerly a senior audit and advisory partner at KPMG, where he had worked since 1972. From 2009 to 2012, Mr Collins was Head of Markets, Asia Pacific, responsible for the firm's business development in the Asia Pacific region. He also led the Global Communications and Media practice for over a decade. Mr Collins has deep and extensive experience of corporate governance, financial reporting and other corporate disciplines, gained during many years as lead partner for a large number of major international clients. He was the Senior Independent Non-Executive Director and Chairman of the Audit Committee of Millennium & Copthorne Hotels Plc until December 2014. Other appointments include member of the Conduct Committee and Case Management Committee of the Financial Reporting Council, former trustee of the Royal Society for Asian Affairs, Trustee and Finance Chairman at Cystic Fibrosis Trust, Governor and Chairman of More House School in Surrey, England. Sean is also a Crown Representative at the Cabinet Office, overseeing the provision of telecommunication services by major suppliers to UK Government.

JOE MOYNIHAN
Non-Executive Director (appointed with effect from 1 May 2018)

Joe Moynihan is an experienced international financial services executive with senior level commercial and public-sector experience. He has held a wide range of board level positions in Jersey and International businesses during a career that has spanned over 30 years. This includes being President of the Jersey Bankers Association, Chief Officer/Director of Financial Services for the States of Jersey, and consultant to a number of financial services projects. Joe has an MBA from the CASS Business School, University of London, is a fellow of the Association of Chartered Certified Accountants and a graduate of the Irish Institute of Bankers.

GRAEME MILLAR
Chief Executive Officer

Graeme was appointed JT CEO in January 2010. A Cambridge science graduate with a postgraduate engineering qualification, Graeme has over 25 years of telecoms experience. Graeme has worked in countries as diverse as the USA, Russia, Hungary and the Netherlands for companies such as Vodafone and Motorola. Immediately prior to taking up his role at JT Group, Graeme was the Chief Commercial Officer Russia for MTS, Russia's largest mobile telephone operator. In addition to his role at JT, Graeme is also a Non-Executive Director of Wellington Partners Management Limited and is a Fellow of the Institute of Directors.

MERIEL LENFESTEY
Non-Executive Director, Chairman
of the Remuneration Committee

Meriel joined JT's Group Board as a Non-Executive Director in 2016. She has experience driving and enabling a shift to customer centricity with forward looking companies across a wide range of business sectors. After receiving her MA in Computer Related Design from the Royal College of Art, spells working at Microsoft in the US and the BBC in London, in 1997 she founded a London-based User Experience Company and grew it to become the UK market leader and highly respected globally. Her work has included tactical and strategic engagements with clients embracing digital transformation across many sectors including Financial Services, Consumer Electronics & Software, Telecoms, Media, Retail, Transport and Public Sector. She is also a Non-Executive Director for several companies including Aurigny locally. She holds voluntary roles with the IoD and Startup Guernsey.

JOHN KENT
Chief Financial Officer

John joined JT as CFO of the JT Group in February 2012. He is a highly commercial CFO who has spent a major part of his career working for two large FTSE companies in the utilities sector, Vodafone and British Gas, in financial and commercial leadership roles. Prior to joining JT, John was the CFO for Vodafone Ireland, the €1 billion turnover Vodafone operating company based in Dublin. John has a Mathematics degree from Cambridge.

JOHN STARES
(resigned as Chairman with effect from 31 March 2018)

KEVIN KEEN
(resigned as Chairman of the Audit and Risk Committee with effect from December 2017)

With sincere thanks to out-going Chairman and Board members John Stares and Kevin Keen for their valuable personal contributions to JT during 2017. John Stares stood down as Chairman as of March 2018 and Kevin Keen left the JT Board in December 2017.

Corporate Governance

Compliance with the UK Corporate Governance Code 2016 (the 'Code').

The Company adheres to the principles of good corporate governance and best practice set out in the Code and, in particular, has in place a sound system of internal controls to safeguard its shareholder's investment and its assets.

Directors and the Board

The Board

During the financial year the Board consisted of eight directors, two of whom are Executive Directors and six of whom are Non-Executive Directors. The Board has a schedule of regular meetings, normally between six and eight per year, with any additional meetings convened as and when required. The Board is collectively responsible for the long- term success of the Company. This is achieved by setting the overall operating strategy, approving detailed business plans and overseeing delivery of objectives by continually monitoring performance against those plans. The Board establishes the culture, standards and values of the Company. The Board oversees the management of risk, monitors financial performance and reporting and ensures that appropriate and effective succession planning and remuneration policies are in place. Whilst maintaining oversight at regular meetings of the Board, the day to day operation of the Company has been delegated to the Executive Directors. The Board is supplied with a sufficient level of regular, detailed and timely management information to allow it to discharge its functions efficiently.

Meetings and Committee membership

During the year, the Board met eight times. Details of attendance at Board meetings are as follows:

Number of Board Meetings in 2017	8
Sean Collins	8
Kevin Keen	8
John Kent	8
Meriel Lenfestey	7
Phil Male	8
Graeme Millar	8
John Stares	8
Colin Tucker	8

Director independence

The Board considers all of the Non-Executive Directors to be independent in character and judgement. In determining independence, the Board considers the specific circumstances of each Director. The Board has concluded that Sean Collins, Kevin Keen, Meriel Lenfestey, Phil Male and Colin Tucker shall be deemed independent, with Colin Tucker adopting the role of Senior Independent Director. John Stares, as Chairman of the Company for the year ended 31 December 2017, was considered independent on appointment and, in accordance with the Code, is not subject to the independence test thereafter.

Performance evaluation

In order to ensure that the Board continues to operate effectively, the Board and its Committees carry out an assessment of performance across key areas. The results of the performance assessments and appraisals are fed back to the Board as a whole (as appropriate) and action taken accordingly.

Other significant commitments

Under the terms of engagement for each Non-Executive Director, an indication of required hours is agreed that should enable the Non-Executive Directors to discharge their duties to the Company. The level of commitment to the Company has not been impinged by other significant commitments for any of the Non-Executive Directors.

Reappointment

The Executive Directors are not subject to retirement by rotation but they are subject to periods of notice related to the termination of employment, as are other members of the Company's Senior Management.

The Company has adopted a policy of requiring Non-Executive Directors to seek re-election after having served a three-year term. Non-Executive Directors who have served on the Board for nine years or more are required to retire from the Board and seek re-election on an annual basis. Directors appointed to fill a casual vacancy must seek formal appointment by the shareholders at the next Annual General Meeting ("AGM").

Relations with the shareholder

While the Company is wholly owned by the States of Jersey, under the terms of Article 32(6) of the Telecommunications (Jersey) Law 2002, the Minister for Treasury & Resources (the "Minister") is charged as its representative in matters related to its shareholding in the Company. Limitations on the powers of the Minister, which relate principally to share ownership matters, are set out in that same article. In order to ensure an appropriate accountability framework, a Memorandum of Understanding exists between the Company and the Minister, and that Memorandum of Understanding recognises the obligation that the directors have in regard to cooperating at all times in the best interests of the company.

Internal Controls

The Board is responsible for ensuring that there are effective systems of internal control in place to reduce the risk of misstatement or loss and to ensure that business objectives are met. These systems are designed to manage and mitigate (rather than to eliminate) the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has developed and adopted corporate and operational risk registers detailing and risk grading the significant risks faced by the Company. Alongside the register is a process through which the significant risks faced by the business are identified and evaluated on a regular basis and the controls operating over those risks are assessed to ensure that they are adequate.

The process of risk assessment and reviewing the effectiveness of the systems of internal control is regularly reviewed by the Audit Committee, accords with Turnbull guidance and has been in place for the whole of the year, up to and including the date on which the financial statements were approved.

Controls adopted by the Board (or its Committees) to ensure the effectiveness of the systems of internal control include the following:

The review of the corporate and operational risk and control registers maintained and updated by the Company and of the status of any actions arising from their regular review.

The receipt of confirmation from Senior Management of the proper operation of controls throughout the period of the review.

The review and approval during the year of the schedule of matters specifically reserved for its attention.

The review of reports received from the Audit Committee concerning the findings of the external auditors on the financial statements of the Company and the systems of internal control.

Audit Committee

During the year ended 31 December 2017, the Audit Committee comprised Sean Collins (Chairman), Phil Male and Kevin Keen. The auditors, KPMG LLP, and the Executive Directors also attend the meetings by invitation.

There were five meetings of the Audit Committee during 2017, with full attendance at each of those meetings.

The terms of reference of the Audit Committee require it to meet at least twice per annum. Additional meetings may be called where deemed necessary. The Committee is charged by the Board with the following main responsibilities:

To monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance.

To provide advice, when requested by the Board, on whether the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for the shareholder to assess performance, the business model and strategy.

Ensure that arrangements are in place for the proportionate and independent investigation of concerns raised confidentially by whistle-blowers about possible improprieties in matters of financial reporting or any other matters.

To review and monitor the adequacy, operation and effectiveness of the Company's internal financial and other controls and make recommendations for improvement where necessary.

To oversee the external audit process and manage the relationship with the external auditors.

To make recommendations to the Board as to the re-election and remuneration of the auditors at the Annual General Meetings based upon its assessment of the performance of the auditors and giving due regard to their continued independence and any other regulatory or professional requirements.

During the year ended 31 December 2017, the Audit Committee formed the view that there is now a need for an internal audit function and assigned accountability for this to a senior accountant reporting to the CFO.

Review of Financial Statements

To enable the Audit Committee to discharge its responsibilities effectively in respect of the financial statements, a number of processes are in place.

The Audit Committee is briefed by the Chief Financial Officer in advance of the year-end on the significant issues pertaining to the financial statements and how they will be dealt with. These issues are generally focused on the areas of subjectivity in the financial statements, changes in accounting or disclosure requirements and the accounting or disclosure implications of one off events occurring in the year. Where necessary, the Audit Committee considers evidence and independent third-party advice on the key matters for consideration. At the year end, the Audit Committee reviews the financial statements and related announcements and considers them in the context of the significant issues identified, the suitability of any key assumptions and the extent that they have been disclosed. The whole process is completed in consultation with the auditors, whose view is sought by the Audit Committee. The Audit Committee also consider, based on their knowledge of the business and issues arising, whether they can advise the Board that the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, the business model and strategy.

Auditor appointment and additional services

The performance and effectiveness of the external auditors is monitored continually and formally considered by the Audit Committee before a recommendation is made to the Board regarding their reappointment. Length of service of the incumbent audit firm, effectiveness of the audit process, the independence and objectivity of the team, the depth and breadth of the audit approach, the level of fees and the quality of the service provided are all taken into account.

The current auditor is KPMG LLP who replaced Deloitte LLP following a competitive tender for audit services for the year ending 31 December 2017 carried out in 2016, following which the Audit Committee's recommendation that the Board appoint KPMG LLP as the Company's auditors was approved. The Audit Committee considers the impact of the provision of any non-audit services by the external auditor on the objectivity and independence of the audit. The consideration has regard to the nature of the non-audit work, size of the fee relative to any audit, any potential involvement of the audit team in the work and the longer-term effect of the non-audit services on the relationship with the audit firm, including an assessment of their continuing objectivity and independence.

Remuneration Committee

During the year ended 31 December 2017, the Remuneration Committee comprised Kevin Keen (Chairman) (resigned with effect from 31 December 2017), Sean Collins, Meriel Lenfestey (replaced Kevin Keen as Chairman of the Remuneration Committee), Phil Male, John Stares and Colin Tucker. The Executive Directors, Graeme Millar and John Kent, may also attend the meeting by invitation.

No director is allowed to be party to discussions regarding, or play any role in, the determination of their own remuneration. There were two formal meetings of the Remuneration Committee during 2017, with full attendance at each of those meetings.

The terms of reference of the Remuneration Committee allow it to meet as and when necessary to:

- Review and determine the level of remuneration of Executive Directors.
- Review and determine the level of remuneration of the Senior Management Team.
- Review periodically the terms and conditions of employment of the Executive Directors and Senior Management Team.
- Make recommendations to the Board on the Company's overall framework of salaried staff remuneration and costs.
- Review and make recommendations to the Board concerning the remuneration of the Chairman.

Nomination Committee

During the financial year ended 31 December 2017, the Nomination Committee comprised Phil Male (Chairman), Sean Collins, Kevin Keen (resigned with effect from 31 December 2017), Meriel Lenfestey, John Stares, Colin Tucker and Graeme Millar. Executive Director, John Kent may also attend the meeting by invitation.

There were two formal meeting of the Nomination Committee during 2017, with full attendance at that meeting.

The Nomination Committee is primarily responsible for the selection and appointment of the Company's Executive and Non-Executive Directors, as and when required.

The other duties of the Nomination Committee include:

- Making recommendations to the Board as to the re-election of Directors under the 'retirement by rotation' provisions in the Company's Articles of Association whilst giving due regard to their performance and ability to continue to contribute to the Board in light of the knowledge, skills and experience required.
- Reviewing and making recommendations to the Board as to the succession planning for Executive and Non-Executive Directors.
- Regularly reviewing the structure, size and composition, including the balance of skills and attributes required of the Board, compared to its current position and making recommendations to the Board with regard to any changes.
- Keeping under review the leadership needs of the organisation, both Executive and Non-Executive, including succession plans, with a view to ensuring the continued ability of the organisation to operate effectively.

When selecting candidates for potential appointment as a Non-Executive Director, the Nomination Committee evaluates the needs of the Company and identifies the necessary skills and experience required by candidates for consideration. The Nomination Committee makes recommendations to the Board taking into account the performance of the candidates at interview, their skills and experience and their ability to meet the specific needs of the Company. Consideration is given to the use of external recruitment consultants and open advertising in the recruitment process. However, this is weighed against the cost of doing so and the specialist needs of the Company as a Jersey-based telecom provider.

It is the policy of the Board to populate itself with Directors who have a diverse range of skills, attributes and backgrounds so that collectively, the Board is appropriately resourced to discharge its duties effectively and meet the changing needs of the business. A wide range of factors are considered in determining the appropriate composition of the Board including but not limited to technical expertise, local market knowledge and experience, independence, length of service on the Board and diversity.

Directors' Report

Incorporation

JT Group Limited (the "company") was incorporated in Jersey, Channel Islands on 22 October 2002.

Principal activities

The principal activity of the company and its subsidiaries (the "Group") is the supply of telecommunication services and equipment.

The principal place of business is Jersey, Channel Islands.

Results

The results are set out on page 6 to 8 of the consolidated financial statements.

The Group made an operating profit of £11.1m (2016: £11.7m). This decrease is mainly due to an increase in depreciation and amortisation charges totalling £2.6m. Revenue has increased to £260.7m (2016: £185.0m).

Profit on ordinary activities after taxation was £4.8m (2016: £6.0m) from increased tax charges following tax reform in the US which resulted in a prior year adjustment to reduce the value of our deferred tax asset on ekit.com Inc (a US subsidiary).

At the year end the Group's net assets were £91.8m (2016: £92.4m).

The 2016 final and 2017 interim dividends of £4.7m were paid during 2017 (2016: £3.1m). No special dividend was paid during the year (2016: £2.4m).

The Directors have approved the payment of a final dividend for 2017 of £2.4m (2016: final dividend for 2016 of £1.2m).

Going concern

The Group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in note 3 of the consolidated financial statements.

The Group has considerable financial resources together with long-term contracts with customers and suppliers. Therefore, the Directors believe that the Group is well placed to manage its business risks successfully in the current operating environment.

Management have prepared a budget for 2018, projecting cash flows and results for the year based on the strategies being followed by the Group and have concluded that there is a reasonable expectation that the company and the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and the consolidated financial statements.

Directors

The Executive and Non-Executive Directors of the group who served during the year and subsequently are:

Non-Executive

John Stares	resigned 31 March 2018
Phil Male	
Colin Tucker	
Sean Collins	
Kevin Keen	resigned 31 December 2017
Meriel Lenfestey	
Joe Moynihan	appointed with effect from 1 May 2018

Executive

Graeme Millar

John Kent

Directors' interests

The Directors of the Group had no interests, beneficial or otherwise, in the shares of the Group.

Insurance of Directors and officers

The Group maintains an insurance policy on behalf of all Directors and officers of the Group against liability arising from neglect, breach of duty and breach of trust in relation to their activities as Directors and officers of the Group.

Independent auditor

KPMG LLP were appointed as the company's auditors at the AGM on 5th June 2017 and have indicated their willingness to continue in office as auditor.

By order of the Board.

Daragh J McDermott
Company Secretary

Financial Summary

The financial summary presents the main highlights from the 2017 financial statements prepared under accounting standards currently applicable in the United Kingdom and in accordance with Jersey company law. A copy of the detailed audited consolidated financial statements may be obtained via **www.jtglobal.com**

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings as at 31 December each year. The results of subsidiary undertakings acquired or disposed of during the year are consolidated for the periods from or to the date on which control passed.

Consolidated income statement for the year ended 31 December 2017	**2017 £'000**	**2016 £'000**
Revenue	260,660	184,968
Cost of sales	(168,633)	(94,275)
Gross profit	**92,027**	**90,693**
Operating expenses	(80,949)	(79,008)
Operating profit	**11,078**	**11,685**
Share of results of associated undertakings	(2)	(2)
Gain/(loss) on financial assets at fair value through profit or loss	210	(8)
Profit before interest and taxation	**11,286**	**11,675**
Finance income and similar income	6	9
Finance costs and similar charges	(2,328)	(2,636)
Profit on ordinary activities before taxation	**8,964**	**9,048**
Tax on profit on ordinary activities	(4,147)	(3,020)
Profit on ordinary activities after taxation	**4,817**	**6,028**

Consolidated statement of comprehensive income for the year ended 31 December 2017	**2017 £'000**	**2016 £'000**
Profit for the financial year	4,817	6,028
Currency translation difference	(704)	768
Cash flow hedge movement	171	(171)
Remeasurements of net defined benefit obligations	55	(42)
Total tax on components of other comprehensive income	(11)	8
Other comprehensive income for the year, net of tax	**(489)**	**563**
Total comprehensive income for the year	**4,328**	**6,591**
Profit for the year attributable to		
– Owners of the parent	4,817	6,028
– Non-controlling interest	-	-
	4,817	**6,028**
Total comprehensive income attributable to		
– Owners of the parent	4,328	6,591
– Non-controlling interest	-	-
	4,328	**6,591**

Financial Summary

Consolidated statement of financial position
At 31 December 2017

	2017 £'000	2016 £'000
Fixed assets		
Intangible assets and goodwill	20,156	26,645
Tangible assets	112,468	109,224
Investment in associate	611	728
Other investments	4,209	3,999
Deferred tax asset	941	1,769
	138,385	**142,365**
Current assets		
Inventories	3,355	6,433
Receivables due within one year	38,969	36,333
Receivables due after one year	3,013	2,519
Cash at bank and in hand	19,781	14,786
	65,118	**60,071**
Payables: amounts falling due within one year	**(38,548)**	**(38,169)**
Net current assets	**26,570**	**21,902**
Total assets less current liabilities	**164,955**	**164,267**
Payables: amounts falling due after more than one year	(51,000)	(51,000)
Deferred tax liability	(9,238)	(8,169)
Provision for other liabilities	(2,205)	(1,849)
Post-employment benefits	(725)	(803)
2.5% Redeemable preference shares	(10,000)	(10,000)
Total non-current liabilities	**(73,168)**	**(71,821)**
Net assets	**91,787**	**92,446**
Capital and reserves		
Called-up share capital	20,000	20,000
Currency translation reserve	2	297
Hedging reserve	-	(171)
Equity reserve	71,785	72,320
Equity attributable to owners of the parent	**91,787**	**92,446**

Consolidated statement of changes in equity
for the year ended 31 December 2017

	Called up share capital £'000	Equity reserve £'000	Hedging reserve £'000	Currency translation reserve £'000
Balance at 1 January 2016	**20,000**	**71,054**	**-**	**(422)**
Profit for the year	-	6,028	-	-
Other comprehensive income for the year	-	734	(171)	-
Total comprehensive income for the year	-	6,762	(171)	-
Currency retranslation on foreign operations	-	-	-	719
Dividends	-	(5,496)	-	-
	-	1,266	(171)	719
Balance as at 31 December 2016	**20,000**	**72,320**	**(171)**	**297**
Balance at 1 January 2017	**20,000**	**72,320**	**(171)**	**297**
Profit for the year	-	4,817	-	-
Other comprehensive income for the year	-	(660)	171	-
Total comprehensive income for the year	-	4,157	171	-
Currency retranslation on foreign operations	-	-	-	(295)
Dividends	-	(4,692)	-	-
	-	(535)	171	(295)
Balance as at 31 December 2017	**20,000**	**71,785**	**-**	**2**

Financial Summary

Consolidated cash flow statement for the year ended 31 December 2017	**2017** **£'000**	**2016** **£'000**
Profit for the financial year	4,817	6,028
Adjustment for:		
Tax on profit on ordinary activities	4,147	3,020
Finance income and similar income	(6)	(9)
Finance costs and similar charges	2,328	2,636
Share of results in associate	2	-
Fair value movements on financial assets at fair value through profit or loss	(210)	-
Operating profit	**11,078**	**11,675**
Amortisation of goodwill and intangible assets	7,986	6,323
Depreciation of tangible assets	15,945	15,104
Amortisation of goodwill in associate	115	24
Loss on disposal of intangible assets	162	-
Loss on disposal of tangible assets	228	244
Provision for bad debts and bad debt write off	313	519
Inventory impairment	240	133
Currency translation difference	300	205
Operating cash flow before movement in working capital	**36,367**	**34,227**
Net charge on provisions	356	171
Decrease in inventories	2,838	1,970
Increase in receivables	(3,443)	(1,669)
Increase in payables	1,428	8,576
Cash flow generated from operating activities	**37,546**	**43,275**
Taxation paid	**(1,950)**	**(2,311)**
Pension contributions	**(1,805)**	**(1,619)**
Net cash flow generated from operating activities	**33,791**	**39,345**
Cash flow from investing activities		
Purchase of intangible assets	(2,202)	(3,674)
Purchase of tangible assets	(19,606)	(19,149)
Purchase of associate	-	(652)
Disposal of intangible assets	367	-
Purchase of equity investment	-	(4,007)
Finance income and similar income	6	9
Net cash used in investing activities	**(21,435)**	**(27,473)**

Consolidated cash flow statement (continued) for the year ended 31 December 2017	**2017** **£'000**	**2016** **£'000**
Cash flow from financing activities		
Dividends paid	(4,692)	(5,496)
Borrowings	-	(665)
Interest paid	(2,174)	(2,200)
Preference dividend paid	(200)	(200)
Net cash used in financing activities	**(7,066)**	**(8,561)**
Net increase in cash and cash equivalents	**5,290**	**3,311**
Cash at bank and in hand at beginning of the year	14,786	10,756
Effect of foreign exchange rate changes	(295)	719
Cash at bank and in hand at end of year	**19,781**	**14,786**

Notes to the Financial Summary

General information

JT Group Limited (the "company") and its subsidiaries (together the "Group") has its principal operations in Jersey. The Group also has operations in UK, Australia and USA. The principal activity of the company and its subsidiaries is the supply of telecommunication services and equipment.

The Group financial statements of JT Group Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and in compliance with the Companies (Jersey) Law 1991.

The ultimate controlling party of JT Group Limited is the States of Jersey.

Jersey taxation

Current tax, including income tax in Jersey and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the time of the statement of financial position, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the statement of financial position date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are recognised to the extent that they are regarded as recoverable and that on the basis of available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Tangible assets

Tangible assets are stated at cost net of depreciation and any impairment. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

Buildings include freehold and leasehold retail outlets and offices. Buildings are stated at cost less accumulated depreciation and accumulated impairment losses.

Network equipment, fixtures and fittings and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of network equipment includes all cable, ducting and transmission equipment extending from the main switching systems to the customers' premises.

Capital work in progress comprises capital projects which are under construction. Once completed, projects are capitalised as separately identifiable assets and depreciated over their estimated useful economic lives.

The costs of tangible assets, less estimated residual value, are written off over their estimated useful economic lives on a straight-line basis as follows:

Freehold buildings	50 years
Leasehold buildings	the term of the lease
Motor vehicles	7 years

Equipment fixtures and fittings:

Network infrastructure	3-25 years
Other*	5-10 years

*This includes freehold and leasehold fixtures and fittings.

Intangible assets (excluding goodwill)

Intangible assets (excluding goodwill) are stated at cost less accumulated amortisation and accumulated impairment losses. These intangible assets consist of internally and externally developed assets. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives as follows:

Websites and website development	3–5 years
Software, software development and software applications	3–5 years
Software licences	the term of the licence

Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

Associates

Investments in associates are accounted for using the equity method. Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss and other comprehensive income of the associate. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above.

Financial assets - Investments

Investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Inventories

Inventories are valued at the lower of cost and net realisable value, and accounted for on a weighted average cost basis.

Other provisions for liabilities and charges

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events. Asset retirement obligations and dilapidations are recognised as provisions as a result of the legal obligation for decommissioning costs on mobile site and property leases. These provisions are recognised through the statement of financial position.

Pension and employee benefits

For defined benefit plans, the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of the staff costs. Past service costs are recognised immediately in the income statement.

The company has two defined benefit schemes of the Public Employees Contributory Retirement Scheme ("PECRS") and the Telecommunications Board Pension Scheme ("TBPS").

On 1 October 2015, JT (Jersey) Limited's pension assets and liabilities were moved out of the PECRS sub-fund and into the main scheme, administered by States of Jersey. This is considered to be a multi-employer (benefit) plan as defined by FRS 102.

Under the revised Terms of Admission there is insufficient information available to use defined benefit accounting and, with effect from 1 October 2015, JT (Jersey) Limited has accounted for the scheme as if it was a defined contribution scheme.

This change resulted in the release of the defined benefit liability, held by the group on the statement of financial position from its previous accounting basis, down to nil as at 31 December 2015.

The deficit in the defined benefit plan for TBPS, being the difference between the value of the scheme assets and the present value of the scheme liabilities, is recognised in the statement of financial position.

201 employees of the company are members of PECRS. This has been closed to new joiners since 2011. TBPS has 3 members.

The company also offers employees the JT Group Limited Pension Plan, which is a defined contribution scheme.

Share capital, dividends and redeemable preference shares

The States of Jersey have been issued with 20m ordinary shares at £1 each, authorised and fully paid up. The shares carry a voting right of one vote for each share held.

Dividends of £4.7m (2016: £5.5m) were paid during 2017 to the States of Jersey.

In 2012, JT Group Limited issued 10m 2.5% preference shares at £1 each to the States of Jersey Currency Fund, with interest payable twice yearly.

Notes

Notes

PRIVATE AND CONFIDENTIAL

Annual Report and Audited Consolidated Financial Statements 31 December 2017

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Facts and figures correct at time of publication. June 2018.

JOIN TOGETHER

Contents

Directors' Report

The directors present their report and audited financial statements.

Incorporation

JT Group Limited (the "company") was incorporated in Jersey, Channel Islands on 22 October 2002.

Principal activities

The principal activity of the company and its subsidiaries (the "group") is the supply of telecommunication services and equipment.

The principal place of business is Jersey, Channel Islands.

Results

The results are set out on page 4 to 5.

The group made an operating profit of £11.1m (2016: £11.7m). This decrease is mainly due to an increase in depreciation and amortisation charges totalling £2.6m. Revenue has increased to £260.7m (2016: £185.0m). Profit on ordinary activities after taxation was £4.8m (2016: £6.0m) from increased tax charges following tax reform in the US which resulted in a prior year adjustment to reduce the value of our deferred tax asset on ekit.com Inc (a US subsidiary). At the year end the group's net assets were £91.8m (2016: £92.4m).

The 2016 final and 2017 interim dividends of £4.7m were paid during 2017 (2016: £3.1m). No special dividend was paid during the year (2016: £2.4m). Further details on dividends are included in note 9.

The directors have approved the payment of a final dividend for 2017 of £2.4m (2016: final dividend for 2016 of £1.2m).

Going concern

The group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in note 3 to these consolidated financial statements.

The group has considerable financial resources together with long-term contracts with customers and suppliers. Therefore, the directors believe that the group is well placed to manage its business risks successfully in the current operating environment.

Management have prepared a budget for 2018, projecting cash flows and results for the year based on the strategies being followed by the group and have concluded that there is a reasonable expectation that the company and the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and the consolidated financial statements.

Directors

The executive and non-executive directors of the group who served during the year and subsequently are:

Non-executive

John Stares – resigned 31 March 2018
Phil Male
Colin Tucker
Sean Collins
Kevin Keen – resigned 31 December 2017
Meriel Lenfestey
Joe Moynihan – appointed with effect from 01 May 2018

Executive

Graeme Millar
John Kent

Directors' interests

The directors of the group had no interests, beneficial or otherwise, in the shares of the group.

Insurance of directors and officers

The group maintains an insurance policy on behalf of all directors and officers of the group against liability arising from neglect, breach of duty and breach of trust in relation to their activities as directors and officers of the group.

Independent auditor

KPMG LLP were appointed as the company's auditors at the AGM on the 5th of June 2017 and have indicated their willingness to continue in office as auditor.

By order of the board

Daragh J McDermott

Company Secretary

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standards applicable in the UK and Republic of Ireland". The financial statements are required by law to give a true and fair view of the state of affairs of the group and of the profit 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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included in the group's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of JT Group Limited

Our opinion is unmodified

We have audited the consolidated financial statements (the "Financial Statements") of JT Group Limited (the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended 31 December 2017, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Group as at 31 December 2017, and of the Group's financial performance and the Group's cash flows for the year then ended;
- are prepared in accordance with United Kingdom accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law, 1991.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company and Group in accordance with, UK ethical requirements including FRC Ethical Standards. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the Financial Statements. We have nothing to report in these respects.

We have nothing to report on the other information in the directors' report

The directors are responsible for the directors' report. Our opinion on the Financial Statements does not cover that report and we do not express an audit opinion thereon or any form of assurance conclusion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the information presented in the directors' report.

We have nothing to report on other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Group; or
- the Group financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 3, the Directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

The purpose of this report and restrictions on its use by persons other than the Company's members as a body

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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.

Robert Seale

For and on behalf of KPMG LLP
Statutory Auditor, 15 Canada Square, London E14 5GL
4 May 2018

Consolidated Income Statement

for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Continuing operations			
Revenue		260,660	184,968
Cost of sales		(168,633)	(94,275)
Gross profit		**92,027**	**90,693**
Operating expenses		(80,949)	(79,008)
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Gain/(loss) on financial assets at fair value through profit or loss	18	210	(8)
Profit before interest and taxation		**11,286**	**11,675**
Finance income and similar income	6	6	9
Finance costs and similar charges	7	(2,328)	(2,636)
Profit on ordinary activities before taxation		**8,964**	**9,048**
Tax on profit on ordinary activities	8	(4,147)	(3,020)
Profit on ordinary activities after taxation		**4,817**	**6,028**

All the items dealt with in arriving at profit for the current year and preceding period relate to continuing operations

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Profit for the financial year		4,817	6,028
Currency translation difference		(704)	768
Cash flow hedge movement	19	171	(171)
Remeasurement of net defined benefit obligations	22	55	(42)
Total tax on components of other comprehensive income		(11)	8
Other comprehensive income for the year, net of tax		**(489)**	**563**
Total comprehensive income for the year		**4,328**	**6,591**
Profits for the year attributable to			
– Owners of the parent		4,817	6,028
– Non-controlling interest		–	–
		4,817	**6,028**
Total comprehensive income attributable to			
– Owners of the parent		4,328	6,591
– Non-controlling interest		–	–
		4,328	**6,591**

The notes on pages 8 to 33 form an integral part of the consolidated financial statements

Consolidated Statement of Financial Position

as at 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Intangible assets and goodwill	10	20,156	26,645
Tangible assets	11	112,468	109,224
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Inventories	12	3,355	6,433
Receivables due within one year	13	38,969	36,333
Receivables due after one year	13	3,013	2,519
Cash at bank and in hand		19,781	14,786
		65,118	**60,071**
Payables: amounts falling due within one year	14	(38,548)	(38,169)
Net current assets		**26,570**	**21,902**
Total assets less current liabilities		**164,955**	**164,267**
Payables: amounts falling due after more than one year	15	(51,000)	(51,000)
Deferred tax liability	8(c)	(9,238)	(8,169)
Provisions for other liabilities	17	(2,205)	(1,849)
Post-employment benefits	22	(725)	(803)
2.5% Redeemable preference shares	16	(10,000)	(10,000)
Total non-current liabilities		**(73,168)**	**(71,821)**
Net assets		**91,787**	**92,446**
Capital and reserves			
Called up Share capital	21	20,000	20,000
Currency translation reserve		2	297
Hedging reserve		-	(171)
Equity reserve		71,785	72,320
Equity attributable to owners of the parent		**91,787**	**92,446**

The consolidated financial statements were approved by the board of directors on the 4th of May 2018 and were signed on its behalf by:

G Millar
Chief Executive Officer

The notes on pages 8 to 33 form an integral part of the consolidated financial statements

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

	Note	Called up share capital £'000	Equity reserve £'000	Hedging reserve £'000	Currency translation reserve £'000
Balance at 1 January 2016		**20,000**	**71,054**	**–**	**(442)**
Profit for the year		–	6,028	–	–
Other comprehensive income for the year		–	734	(171)	–
Total comprehensive income for the year		–	6,762	(171)	–
Currency retranslation on foreign operations		–	–	–	719
Dividends	9	–	(5,496)	–	–
		–	1,266	(171)	719
Balance as at 31 December 2016		**20,000**	**72,320**	**(171)**	**297**
Balance at 1 January 2017		**20,000**	**72,320**	**(171)**	**297**
Profit for the year		–	4,817	–	–
Other comprehensive income for the year		–	(660)	171	–
Total comprehensive income for the year		–	4,157	171	–
Currency retranslation on foreign operations		–	–	–	(295)
Dividends	9	–	(4,692)	–	–
		–	(535)	171	(295)
Balance as at 31 December 2017		**20,000**	**71,785**	**–**	**2**

The notes on pages 8 to 33 form an integral part of the consolidated financial statements

Consolidated Cash Flow Statement

for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Profit for the financial year		4,817	6,028
Adjustment for:			
Tax on profit on ordinary activities	8	4,147	3,020
Finance income and similar income	6	(6)	(9)
Finance costs and similar charges	7	2,328	2,636
Share of results in associate		2	–
Fair value movements on financial assets at fair value through profit or loss		(210)	–
Operating profit		**11,078**	**11,675**
Amortisation of goodwill and intangible assets	10	7,986	6,323
Depreciation of tangible assets	11	15,945	15,104
Amortisation of goodwill in associate	23	115	24
Loss on disposal of intangible assets		162	–
Loss on disposal of tangible assets		228	244
Provision for bad debts and bad debt write off		313	519
Inventory impairment		240	133
Currency translation difference		300	205
Operating cash flow before movement in working capital		**36,367**	**34,227**
Net charge on provisions		356	171
Decrease in inventories		2,838	1,970
Increase in receivables		(3,443)	(1,669)
Increase in payables		1,428	8,576
Cash flow generated from operating activities		**37,546**	**43,275**
Taxation paid		**(1,950)**	**(2,311)**
Pension contributions		**(1,805)**	**(1,619)**
Net cash flow generated from operating activities		**33,791**	**39,345**
Cash flow from investing activities			
Purchase of intangible assets		(2,202)	(3,674)
Purchase of tangible assets		(19,606)	(19,149)
Purchase of associate		–	(652)
Disposal of intangible assets		367	–
Purchase of equity investment	18	–	(4,007)
Finance income and similar income	6	6	9
Net cash used in investing activities		**(21,435)**	**(27,473)**
Cash flow from financing activities			
Dividends paid	9	(4,692)	(5,496)
Borrowings		–	(665)
Interest paid		(2,174)	(2,200)
Preference dividend paid		(200)	(200)
Net cash used in financing activities		**(7,066)**	**(8,561)**
Net increase in cash and cash equivalents		**5,290**	**3,311**
Cash at bank and in hand at beginning of the year		14,786	10,756
Effect of foreign exchange rate changes		(295)	719
Cash at bank and in hand at end of year		**19,781**	**14,786**

The notes on pages 8 to 33 form an integral part of the consolidated financial statements

Notes to the Consolidated Financial Statements

1. General information

JT Group Limited (the "company") and its subsidiaries (together the "group") has its principal operations in Jersey. The group also has operations in UK, Australia and USA. The principal activity of the company and its subsidiaries is the supply of telecommunication services and equipment.

The company was incorporated in Jersey, Channel Islands on 22 October 2002 and the address of its registered office is No 1 The Forum, Grenville Street, St Helier, Jersey, Channel Islands, JE4 8PB.

2. Statement of compliance

The group financial statements of JT Group Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and in compliance with the Companies (Jersey) Law 1991.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

(a) Basis of preparation

These consolidated financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Under Article 105 (11) of the Companies (Jersey) Law 1991 the directors of a holding company need not prepare separate accounts (i.e. company only accounts) if consolidated accounts for the company are prepared, unless required to do so by the members of the company by ordinary resolution. The members of the company have not passed a resolution requiring separate accounts and, in the directors' opinion, the company meets the definition of a holding company. As permitted by the law, the directors have elected not to prepare separate accounts.

(b) Going concern

The group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the notes to these financial statements.

The group has considerable financial resources together with long-term contracts with customers and suppliers. Therefore, the directors believe that the group is well placed to manage its business risks successfully in the current operating environment.

Management have prepared a budget for 2018, projecting cash flows and results for the year based on the strategies being followed by the group and have concluded that there is a reasonable expectation that the company and the group has adequate resources to continue in operational existence for the foreseeable future and to meet its obligations as they fall due. Accordingly, they continue to adopt the going concern basis in preparing the annual report and the consolidated financial statements.

(c) Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings together with the group's share of the results of associates made up to 31 December each year. Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

Entities, other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence are treated as associates. In the group financial statements, associates are accounted for using the equity method.

Notes to the Consolidated Financial Statements (continued)

3. Summary of significant accounting policies (continued)

(c) Basis of consolidation (continued)

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used by the subsidiaries in line with those used by the group. All intra-group balances, income and expenses are eliminated on consolidation.

(d) Foreign currencies

i. Functional and presentation currency

The group financial statements are presented in pound sterling ("GBP") and rounded to thousands. The company's functional and presentation currency is also GBP. Foreign currency transactions and operations are included in accordance with the policies set out below.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end, foreign currency monetary items are translated using the closing rate and non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

iii. Translation

The trading results of group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income' and accumulated in the currency translation reserve in the statement of changes in equity.

(e) Revenue

Revenue comprises the value of network usage revenues, subscription fees, roaming income, equipment sales, directory income, income from maintenance and support services and other voice services. Revenue is stated net of sales taxes and trade discounts.

The group derives revenues from:

- Fixed monthly access charges and network usage (including revenues from incoming and outgoing traffic). Call revenues are recognised at the time the call is made over the network, whilst rentals are recognised evenly over the period to which the charges relate.
- Mobile telecommunications services earned from usage of the mobile network by the group's customers, subscription fees and interconnect revenue. Post-paid customers are billed in arrears based on usage and usage revenue is recognised when the service is rendered. Revenue for prepaid customers is recorded as deferred revenue prior to commencement of services and is recognised as the prepaid services are rendered.
- Broadband rentals and usage charges. Rentals are recognised evenly over the period to which the charge relates, whilst usage charges are recognised when the service is rendered.
- Private circuit rentals, which are recognised evenly over the period to which the charge relates.
- Inbound roaming revenue, earned from other mobile operators whose customers roam onto the group's network, and outbound roaming revenue earned from certain customers roaming outside their domestic covering area, are recognised based upon usage and are included in mobile service revenue.
- Subscription fees, which are recognised evenly throughout the periods to which they relate.
- Retail equipment sales, which are recognised at the point of sale.
- Corporate equipment sales, net of rebates, discounts and similar commissions, which are recognised at the point of sale. Connection fees are recognised upon delivery to the customer or activation by the customer, as appropriate.
- The provision of other services, including maintenance and support service contracts, which are recognised evenly over the periods in which the service is provided to the customer.

Notes to the Consolidated Financial Statements (continued)

3. Summary of significant accounting policies (continued)

(e) Revenue (continued)

- Bundled products, which are allocated between the separate elements and the appropriate recognition policy applied to each element as described above.

- Significant long-term contracts. Where the outcome of the contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the statement of financial position date.

- Voice services revenue is recognised when voice traffic is carried over the company's own or third-party network based on the fair value of this traffic.

(f) Taxation

Current tax, including income tax in Jersey and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the statement of financial position date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to the Consolidated Financial Statements (continued)

3. Summary of significant accounting policies (continued)

(g) Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the group's interest in the identifiable net assets, liabilities and contingent liabilities acquired. On acquisition, goodwill is allocated to cash-generating units ('CGU's') that are expected to benefit from the combination.

Goodwill is amortised on a straight-line basis over its expected useful life which is assessed by each asset and varies from 5 to 10 years. Where the group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding 5 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

(h) Tangible assets

Tangible assets are stated at cost net of depreciation and any impairment. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use. Assets held under finance leases are stated at the net present value of the minimum lease payments due at the inception of the lease.

i. Buildings
Buildings include freehold and leasehold retail outlets and offices. Buildings are stated at cost less accumulated depreciation and accumulated impairment losses.

ii. Network equipment, fixtures and fittings and motor vehicles
Network equipment, fixtures and fittings and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of network equipment includes all cable, ducting and transmission equipment extending from the main switching systems to the customers' premises.

iii. Capital work in progress
Capital work in progress comprises capital projects which are under construction. Accrued and expended project labour and material costs are accounted for as capital work in progress. Internal labour costs that were necessary and arising directly from construction or acquisition of the asset are capitalised as part of the project or asset to which they relate. Once completed, projects are capitalised as separately identifiable assets and depreciated over their estimated useful economic lives.

iv. Depreciation and residual values
The costs of tangible assets, less estimated residual value, are written off over their estimated useful economic lives on a straight-line basis as follows:

Freehold buildings	–	50 years
Leasehold buildings	–	the term of the lease
Motor vehicles	–	7 years

Notes to the Consolidated Financial Statements (continued)

Notes to the Consolidated Financial Statements (continued)

3. Summary of significant accounting policies (continued)

(h) Tangible assets (continued)

iv. Depreciation and residual values (continued)

The costs of tangible assets, less estimated residual value, are written off over their estimated useful economic lives on a straight-line basis as follows:

Equipment fixtures and fittings:

Network infrastructure	-	3-25 years
Other*	-	5-10 years

**This includes freehold and leasehold fixtures and fittings.*

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively. Repairs, maintenance and minor inspection costs are expensed as incurred.

(i) Intangible assets (excluding goodwill)

Intangible assets (excluding goodwill) are stated at cost less accumulated amortisation and accumulated impairment losses. These intangible assets consist of internally and externally developed assets. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives as follows:

Websites and website development	-	3–5 years
Software, software development and software applications	-	3–5 years
Software licences	-	the term of the licence

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

The costs of materials, licenses, consultants, payroll and payroll-related costs for employees incurred in developing internal software are capitalised as intangible assets once technological feasibility is attained and the costs incurred are in connection with upgrades and enhancements to internally-developed software that result in additional functionality.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Costs associated with maintaining computer software are recognised as an expense as incurred. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(j) Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each statement of financial position date. If there is objective evidence of impairment, an impairment loss is recognised in the income statement as described below.

3. Summary of significant accounting policies (continued)

(j) Impairment of assets (continued)

i. Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. If it is not possible to estimate the recoverable amount of the individual asset the group estimates the recoverable amount of the cash-generating units ("CGUs") to which the asset belongs.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the CGUs of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

ii. Financial assets

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

(k) Finance and operating leases

At inception the group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

i. Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the group's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

ii. Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Notes to the Consolidated Financial Statements (continued)

3. Summary of significant accounting policies (continued)

(k) Finance and operating leases (continued)

iii. Lease incentives
Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the income statement, to reduce the lease expense, on a straight-line basis over the period of the lease.

The group has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the income statement over the period to the first review date on which the rent is adjusted to market rates.

(l) Inventories

Inventories are valued at the lower of cost and net realisable value, and accounted for on a weighted average cost basis. Cost includes the purchase price, including taxes and duties, transport and handling directly attributable to bringing the inventory to its present location and condition. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Provisions are made for obsolete, slow moving or defective items where appropriate.

(m) Provisions and contingencies

i. Provisions
Provisions are recognised when the group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Onerous lease provisions are measured at the lower of cost to fulfil or exit the contract.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

Asset retirement obligations and dilapidations are recognised as provisions as a result of the legal obligation for decommissioning costs on mobile site and property leases. These provisions are recognised through the statement of financial position.

ii. Contingencies
Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

(n) Employee benefits

For defined benefit plans, the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of the staff costs. Past service costs are recognised immediately in the income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This net interest cost on the defined liability is charged to the income statement within finance costs. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

Notes to the Consolidated Financial Statements (continued)

3. Summary of significant accounting policies (continued)

(n) Employee benefits (continued)

Defined benefit schemes are funded, with the assets of the schemes held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The resulting defined benefit asset or liability, net of the related deferred tax, is presented within long term provisions in the statement of financial position.

For defined contribution schemes the amount charged to the income statement in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments on the statement of financial position.

Treatment of Public Employees Contributory Retirement Scheme (PECRS) from 1 October 2015.

On 1 October 2015, JT (Jersey) Limited's pension assets and liabilities were moved out of the sub-fund and into the main scheme, administered by States of Jersey. This is considered to be a multi-employer (benefit) plan as defined by FRS 102.

Under the revised Terms of Admission there is insufficient information available to use defined benefit accounting and, with effect from 1 October 2015, JT (Jersey) Limited has accounted for the scheme as if it was a defined contribution scheme. However, the scheme continues to be a defined benefit scheme.

(o) Financial instruments

Financial assets and financial liabilities are recognised when the group becomes party to the contractual provision of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

i. Financial assets
Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii.Financial liabilities
Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

Notes to the Consolidated Financial Statements (continued)

3. Summary of significant accounting policies (continued)

(o) Financial instruments (continued)

ii. Financial liabilities (continued)
To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in derivatives' fair values are recognised in the income statement in finance costs or finance income as appropriate, unless they are included in a hedging arrangement. Timing of release into income statement depends on the hedge arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii. Hedging arrangement
The group applies hedge accounting for transactions entered into to manage the cash flow exposures of some transactions denominated in foreign currency. Forward exchange contracts are held to manage the foreign exchange rate exposures and are designated as cash flow hedges of foreign exchange transactions.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the income statement.

The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the hedged debt instrument is derecognised or the hedging instrument is terminated.

(p) Associates

Investments in associates are accounted for using the equity method. Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss and other comprehensive income of the associate. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above.

(q) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

(r) Cost of sales

Cost of sales are accounted for on an accruals basis.

(s) Other operating expenses

Operating expenses are accounted for on an accruals basis.

(t) Finance income and similar income

Finance income and similar income is accounted for on an accruals basis.

(u) Finance costs and similar charges

Finance costs and similar charges are accounted for on an accruals basis.

(v) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Consolidated Financial Statements (continued)

3. Summary of significant accounting policies (continued)

(w) Distributions to equity holders

Dividends and other distributions to the group's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

(x) Related party transactions

The group discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the group financial statements.

4. Critical accounting estimates and key judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Key accounting estimates and assumptions

The preparation of financial statements in conformity with FRS 102 requires the use of accounting estimates and assumptions. It also requires management to exercise judgement in the process of applying the group's accounting policies. We continually evaluate our estimates, assumptions and judgements based on available information and experience. The areas involving a higher degree of judgment or complexity are explained below.

i. Intangible assets and goodwill

The group considers whether intangible assets and goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units ("CGUs") to which the goodwill is attributed and the selection of appropriate discount rates in order to calculate the net present value of those cash flows.

Estimating the useful life of goodwill requires the exercise of judgement. Factors such as a change in the business, length of customer contracts, technological advancement and changes in market prices can indicate that the useful life has changed since the most recent reporting date. The carrying value of goodwill is disclosed in note 10.

ii. Useful lives of tangible assets

The annual depreciation and amortisation charges for tangible assets are sensitive to the estimated lives allocated to each type of asset. Lives are assessed annually and changed when necessary to reflect expected impact from changes in technology, network investment plans (e.g. Gigabit programme) and physical condition of the assets.

The carrying value of tangible assets are disclosed in note 11. The useful lives applied to the principal categories are disclosed on pages 11 and 12.

iii. Provisions

Provision is made for asset retirement obligations, dilapidations, contingencies and other debt related provisions. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

Provision for doubtful debts - the group provides services to consumer and business customers, mainly on credit terms. Certain debts due to the group will not be recovered through default of a small number of customers. Estimates based on historical experience are used in determining the level of debts we believe will not be collected. The value of the provision for doubtful debts is offset against trade receivables due within one year on the statement of financial position.

Asset retirement obligations - as disclosed in note 17 the group's provisions principally arise from asset retirement obligations as a result of the legal obligation for decommissioning costs on mobile site and property leases.

In respect of claims and litigation the group provides for anticipated costs where the outflow of resources is considered probable and a reasonable estimate can be made on the likely outcome. The ultimate liability may vary from the amounts provided and will be dependent upon the eventual outcome of any settlement. The carrying value of provisions is disclosed in note 17.

Notes to the Consolidated Financial Statements (continued)

Notes to the Consolidated Financial Statements (continued)

4. Critical accounting estimates and key judgements (continued)

iv. Defined benefit pension schemes

TBPS

The group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and inflation. The assumptions reflect historical experience and current trends. Further details are contained in note 22. As at the financial reporting date, there were three employees on the TBPS scheme.

v. Gross versus net presentation

When the group sells goods or services as a principal, income and payments to suppliers are reported on a gross basis in revenue and operating costs. If the group sells goods or services as an agent, revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned. Whether the group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the group and its business partners; such judgements impact the amount of reported revenue and operating expenses but do not impact reported assets, liabilities or cash flows.

vi. Current and deferred income tax

The actual tax we paid on profits is determined according to complex tax laws and regulations. Where the effect of these laws is unclear, estimates are used in determining the liability for the tax to be paid on past profits which is recognised in the financial statements. The directors believe the estimates, assumptions and judgements are reasonable but this can involve complex issues which may take a number of years to resolve. The final determination of prior year liabilities could be different from the estimates reflected in the financial statements and may result in the recognition of an additional tax expense or tax credit in the income statement.

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. The group uses management's expectations of future revenue growth, operating costs and profit margins to determine the extent to which future taxable profits will be generated against which to consume the deferred tax assets.

The value of the group's income tax assets and liabilities is disclosed on the statement of financial position. The carrying value of the group's deferred tax assets and liabilities is disclosed in note 8.

vii. Inventory provision and impairment

Provisions are made for inventory impairment. This provision requires management's best estimate based on the assessment of various factors relating to the inventory on hand at the reporting date and historical experience.

The value of the inventory impairment is offset against the inventory balance on the statement of financial position.

viii. Contingent and deferred consideration

The group has entered into acquisitions with deferred consideration, including amounts which are contingent on future events, where future payments are dependent upon the provision of future services or retention of specific individuals. They are considered to be future costs and are not accounted for as part of the cost of an acquisition. In the current year the directors have assessed the purchase of the interest in the associate for capital and future cost elements.

(b) Key judgements

i. Long term contracts

Where the outcome of long term contracts can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the statement of financial position date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Estimation of the contract stage of completion requires management judgement.

5. Operating profit

	Note	2017 £'000	2016 £'000
Operating profit is stated after charging:			
Wages and salaries		33,593	31,311
Social security costs		1,820	1,705
Total staff costs		**35,413**	**33,016**
Amounts capitalised		(3,218)	(2,249)
Staff costs charged to consolidated income statement		**32,195**	**30,767**
Loss on disposals of tangible assets		228	244
Loss on disposal of intangible assets		162	–
Operating leases charge for the year – land and buildings		632	1,866
Depreciation	11	15,945	15,104
Amortisation of intangible assets and goodwill	10	7,986	6,323
Provision for and write off of bad debts		313	519
Cost of inventory recognised as an expense		10,586	10,431
Impairment of inventory		240	133
Charged provisions		356	171

6. Finance income and similar income

	2017 £'000	2016 £'000
Finance income and other similar income	6	9

7. Finance costs and similar charges

	2017 £'000	2016 £'000
2.5% preference dividends	250	250
Interest on bank loan and other short term borrowings	38	163
Interest on private placement	1,968	2,142
Net finance costs from pension schemes	21	28
Other interest payable	51	53
	2,328	**2,636**

Refer to note 16 for details of the above financing activities

8. Tax

(a) Analysis of tax charge in the year

	2017 £'000	2016 £'000
Current tax		
Current tax	2,426	2,007
Adjustment in respect of prior periods	(44)	105
Total current tax	**2,382**	**2,112**

Notes to the Consolidated Financial Statements (continued)

8. Tax (continued)

	2017 £'000	2016 £'000
Deferred tax		
Timing differences	900	1,088
Adjustment in respect of prior periods	865	(180)
Total deferred tax	**1,765**	**908**
Total tax on profit on ordinary activities	**4,147**	**3,020**

(b) Factors affecting the tax charge

The tax charged for the period is different than the standard rate of income tax. The differences are explained below:

	2017 £'000	2016 £'000
Profit on ordinary activities before taxation	8,964	9,048
Profit on ordinary activities multiplied by standard rate of income tax of 20%	**1,793**	**1,810**
Effects of:		
Expenses not deductible for tax purposes	310	237
Non-qualifying depreciation	302	365
Subject to tax at 0%	902	748
Losses not recognised/(utilised)	–	14
Reduction of deferred tax asset recoverable	–	(110)
Prior year adjustment	822	(75)
Effects of changes in tax rates	–	(1)
Non-taxable income	(42)	-
Loss on disposal of fixed assets	(51)	-
Deferred tax not recognised	2	-
Effects of group relief	(19)	-
Other tax adjustments	128	32
	4,147	**3,020**

(c) Provisions for liabilities and charges – deferred taxation

	2017 £'000	2016 £'000
Recognised deferred tax asset		
Accelerated capital allowances	(9,371)	(8,468)
Losses	743	1,293
Defined benefit pension deficit	145	161
Other	186	614
Total deferred tax liability provided	**(8,297)**	**(6,400)**
Deferred tax asset	941	1,769
Deferred tax liability	(9,238)	(8,169)
Net deferred tax liability provided	**(8,297)**	**(6,400)**

Notes to the Consolidated Financial Statements (continued)

9. Dividends on equity shares

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

	2017 £'000	2016 £'000
Equity		
Final dividend for the previous year end of 5.97p (2016: 4.78p) per ordinary share	1,194	956
Interim dividend for the current year of 17.49p (2016: 10.70p) per ordinary share	3,498	2,140
Special dividend for the current year of £Nil (2016: 12.00p) per ordinary share	–	2,400
	4,692	**5,496**

The group's redeemable preference shares are included in the statement of financial position as a liability and accordingly the dividends payable on them are included in finance costs and similar charges.

A final dividend of £2.4m (11.98p per share) (2016: £1.2m (5.97p per share)) has been approved for payment post year end.

10. Intangible assets and goodwill

	Goodwill £'000	Software and Software Development Costs £'000	Websites & Websites Development Cost £'000	Total £'000
Cost				
At 1 January 2017	39,685	22,864	153	62,702
Additions	–	2,202	–	2,202
Disposals	(1,693)	(3,036)	–	(4,729)
Foreign currency translation adjustment	(168)	(143)	–	(311)
At 31 December 2017	**37,824**	**21,887**	**153**	**59,864**
Amortisation				
At 1 January 2017	(18,768)	(17,169)	(120)	(36,057)
Charge for the year	(4,790)	(3,168)	(28)	(7,986)
Disposals	1,244	3,035	–	4,279
Foreign currency translation adjustment	–	56	–	56
At 31 December 2017	**(22,314)**	**(17,246)**	**(148)**	**(39,708)**
Net book value				
At 31 December 2016	20,917	5,695	33	26,645
At 31 December 2017	**15,510**	**4,641**	**5**	**20,156**

The remaining useful economic lives for the goodwill held for Newtel and Corporate Communications Holdings Limited, acquired in 2010 and 2012 respectively, are both 6 years at the statement of financial position date while that of eKit.com Pty Ltd is one year. After its acquisition, Newtel's operations were integrated into JT (Guernsey) Limited's operations.

Management considers the remaining lives to be appropriate for these entities as they operate in sustainable markets with customers on long term contracts.

Notes to the Consolidated Financial Statements (continued)

11. Tangible assets

	Buildings £'000	Network plant and equipment £'000	Motor vehicles £'000	Capital work in progress £'000	Total £'000
Cost					
At 1 January 2017	38,655	210,995	1,627	1,881	253,158
Additions	209	214	–	19,335	19,758
Disposals	(752)	(438)	–	–	(1,190)
Transfer from capital work in progress	351	18,451	–	(18,802)	–
Foreign currency translation adjustment	(6)	(213)	–	–	(219)
At 31 December 2017	**38,457**	**229,009**	**1,627**	**2,414**	**271,507**
Depreciation					
At 1 January 2017	(20,751)	(122,398)	(785)	–	(143,934)
Charge for the year	(2,045)	(13,751)	(149)	–	(15,945)
Disposals	231	433	–	–	664
Foreign currency translation adjustment	1	178	(3)	–	176
At 31 December 2017	**(22,564)**	**(135,538)**	**(937)**	–	**(159,039)**
Net book value					
At 31 December 2016	17,904	88,597	842	1,881	109,224
At 31 December 2017	**15,893**	**93,471**	**690**	**2,414**	**112,468**

12. Inventories

	2017 £'000	2016 £'000
Finished products	3,595	6,566
Impairment	(240)	(133)
At 31 December	**3,355**	**6,433**

Inventories of finished products include £1.5m (2016: £3.3m), to be used in capital work in progress on tangible assets.

13. Receivables

	2017 £'000	2016 £'000
Trade receivables (net of provision for bad debts)	32,469	30,925
Prepayments and accrued income	6,500	5,408
At 31 December	**38,969**	**36,333**

Notes to the Consolidated Financial Statements (continued)

13. Receivables (continued)

Receivables due after one year

	2017 £'000	2016 £'000
Trade receivables	3,013	2,519

Provision for bad debts

	2017 £'000	2016 £'000
At 1 January	2,039	1,779
Charge to the consolidated income statement	(1,486)	260
At 31 December	**553**	**2,039**

14. Payables: amounts falling due within one year

	2017 £'000	2016 £'000
Trade payables	12,123	13,990
Corporation tax	2,153	1,442
Deferred revenue	10,837	11,094
Other payables and accruals	13,435	11,472
Forward exchange contract liability (note 19)	–	171
At 31 December	**38,548**	**38,169**

15. Payables: amounts falling due after more than one year

	2017 £'000	2016 £'000
Amounts falling due between one and five years		
Private placement	51,000	31,000
	51,000	**31,000**
Amounts falling due after more than five years		
Private placement	–	20,000
Total payables falling due after more than one year	**51,000**	**51,000**

16. Loans and other borrowings

	2017 £'000	2016 £'000
Private placement	51,000	51,000
2.5% redeemable preference shares	10,000	10,000
At 31 December	**61,000**	**61,000**

Notes to the Consolidated Financial Statements (continued)

16. Loans and other borrowings (continued)

As at 31 December 2017, there was no amount owing for the Revolving Credit Facility ("RCF") held by JT Group Limited (2016: £nil). The RCF provides for an overdraft facility of £5m (2016: £15m). The facility is interest-bearing with a termination date of 31 January 2020 and when drawn down, the balance is classified as a current liability and repayable on demand.

JT Group Limited received £51m under a private placement facility during August of 2012. £31m has a term of 7 years and £20m has a term of 10 years. The first tranche accrues interest at a rate of 3.86% per annum, the second of 4.48%.

The 2.5% redeemable preference shares were issued in three tranches during 2012. Interest accrues at 2.5% per annum. The amount is repayable on demand.

Contingent liabilities
The group had the following facility with HSBC existing at the reporting date:

The group secured an import line facility from HSBC comprising of standby letters of credit with a limit of USD1m or its GBP equivalent. Through the facility, the group can make drawings of up to USD1m and at any time, the group can repay any drawn amounts on the facility together with interest and any charges owing and advise the bank that the facilities are no longer required. The bank may also at any time withdraw the facility and/or demand repayment of all sums owing to it.

As at the reporting date, no amount had been drawn from the facility, (2016: £nil).

17. Other provisions for liabilities and charges

	2017 £'000	**2016 £'000**
At 1 January	1,849	1,678
Movement in the consolidated the income statement	356	171
At 31 December	**2,205**	**1,849**

The closing balance of provisions is made up of amounts for asset retirement obligations of £1.5m (2016: £1.5m), annual leave of £0.3m (2016: £0.2m) and other provisions for legal and long-term service of £0.4m (2016: £0.1m). The asset retirement obligations have varying settlement dates depending on the lease agreements.

18. Other investments

	2017 £'000	**2016 £'000**
At 1 January	3,999	–
Addition	–	4,007
Movement in fair value and currency	210	(8)
At 31 December	**4,209**	**3,999**

On 29 December 2016, the group purchased 292,056 shares in Energous Corporation, a US based NASDAQ listed technology company. Fair value for this investment is based on quoted market prices in an active market, the NASDAQ exchange. There are therefore, no significant assumptions underlying the determination of the investment's fair value through this valuation technique.

Notes to the Consolidated Financial Statements (continued)

19. Derivatives instruments

	2017 £'000	**2016 £'000**
At 1 January	(171)	–
Movement in fair value	171	(171)
At 31 December	**–**	**(171)**

On 12 June 2016, the group entered into a forward exchange contract with HSBC Bank Plc with a nominal value of USD850,000 expiring on 12 May 2017, to hedge against currency risk on a USD denominated debtor. The contract was designated as a cash flow hedge instrument. The derivatives' fair value and amount recognised in other comprehensive income for the year is disclosed above. Cash flows on this derivative and their impact on the profit or loss occurred in May 2017.

20. Financial instruments

	Note	**2017 £'000**	**2016 £'000**
Financial assets at fair value through profit and loss			
- Equity investment	18	4,209	3,999
		4,209	**3,999**
Financial liabilities at fair value through profit and loss			
- Derivative financial instruments	19	–	(171)
		–	**(171)**
Financial liabilities measured at amortised cost			
- Private investment	16	(51,000)	(51,000)
- Trade payables	14	(12,123)	(13,990)
- Other payables and accruals	14	(26,425)	(24,179)
		(89,548)	**(89,169)**

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices had been 20% higher/lower:

– Profit for the year ended 31 December 2017 would increase/decrease by £0.8m (2016: £0.8m) as a result of the change in fair value of the equity investment.

Notes to the Consolidated Financial Statements (continued)

21. Share capital and reserves

	2017 £'000	2016 £'000
Authorised, issued and fully paid up		
Ordinary shares at £1 each – equity	20,000	20,000

Ordinary shares carry a voting right of one vote for each share held.

The equity reserve represents cumulative comprehensive income, including unrealised gains or losses on foreign exchange, net of equity dividends paid and other adjustments on post-employment benefit schemes.

The translation reserve arises on consolidation, where the consolidation of subsidiaries with a functional currency that is not GBP results in a difference that is recognised through other comprehensive income.

22. Post-employment benefits

	2017 £'000	2016 £'000
Post-employment benefits	(725)	(803)

Most employees of JT (Jersey) Limited are members of the Public Employees Contributory Retirement Scheme ("PECRS"). A small number are members of the Telecommunications Board Pension Scheme ("TBPS") and the JT Group Limited Pension Plan.

JT Group Limited Pension Plan

The JT Group Limited Pension Plan is a defined contribution scheme administered by Alexander Forbes. The employer currently pays contributions at 10% of members' salary. Regular employer contributions to the pension plan in 2018 are expected to be £0.6m (2017: £0.7m).

PECRS

The PECRS is a defined benefit pension plan, providing retirement benefits based on final salary.

JT (Jersey) Limited participates in the PECRS as an Admitted Body under a Terms of Admission Document which sets out how the contributions to and assets of the company's notional Sub-Fund are to be determined.

With effect from 1 October 2015 the Terms of Admission were amended to remove the requirement for the Scheme's Actuary to monitor a ring-fenced Sub-Fund for the purpose of setting JT (Jersey) Limited's contributions to the Scheme. Under the amended terms JT (Jersey) Limited's contributions will increase over a period to 2020 in accordance with a fixed schedule. Thereafter contribution rates will be set in accordance with Jersey Law insofar as it applies to Admitted Bodies in the Scheme. Under the revised Terms of Admission there is insufficient information available to use defined benefit accounting and, with effect from 1 October 2015, JT (Jersey) Limited has accounted for the Scheme as if it was a defined contribution scheme.

Employer contributions made to the pension plan were £1.1m (2016: £0.9m).

Notes to the Consolidated Financial Statements (continued)

22. Post-employment benefits (continued)

Telecommunications Board Pension Scheme (TBPS)

The TBPS is an unfunded scheme under which a defined benefit pension is payable to current pensioners.

The FRS 102 disclosure of the TBPS has been based on a valuation of the liabilities of the Scheme as at 31 December 2017 and 31 December 2016 using the membership data at the accounting date. The present values of the defined benefit obligation and the related current service cost were measured using the projected unit method. Employer contributions in 2018 are expected to be £0.04m (2017: £0.04m) to provide for the payment of benefits to pensioners.

Actuarial gains and losses have been recognised in the period in which they occur, (but outside the income statement), through other comprehensive income ("OCI").

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 102 are set out below:

Main financial assumptions

	31 December 2017 (% p.a.)	31 December 2016 (%p.a.)	31 December 2015 (% p.a.)
Jersey price inflation	2.90	3.25	3.00
Rate of increase to pensions	2.90	3.25	3.00
Discount rate for scheme liabilities	2.40	2.60	3.70

The demographic assumptions used by the independent qualified actuaries for TBPS were:

Post retirement mortality assumptions

	31 December 2017	31 December 2016	31 December 2015
Males			
Base table	Standard SAPS 2 "All Lives" tables (S2PMA)	Standard SAPS 2 "All Lives" tables (S2PMA)	Standard SAPS 2 "All Lives" tables (S2PMA)
Rating to above base table * (years)	0	0	0
Scaling to above base table rates	105%	100%	100%
Improvements to base table	CMI 2016 Core Projections with Sk=8 and a long-term rate of future improvements of 1.5% p.a.	CMI 2013 with a long-term rate of improvement of 1.5% p.a.	CMI 2013 with a long-term rate of improvement of 1.5% p.a.
Assumed Retirement Age (ARA)	75	75	75
Future lifetime from ARA (currently aged ARA)	13.5	13.9	13.8

* A rating of x years means that members of the scheme are assumed to follow the mortality pattern of the base table for an individual x years older than them. The ratings shown apply to normal health retirements.

Notes to the Consolidated Financial Statements (continued)

22. Post-employment benefits (continued)

TBPS (continued)

Split of assets

	Value at 31 December 2017 £'000	Value at 31 December 2016 £'000	Value at 31 December 2015 £'000
Cash	13	4	6
Total	13	4	6

Note: Values are shown at bid value.

Reconciliation of funded status to statement of financial position

	Value at 31 December 2017 £'000	Value at 31 December 2016 £'000	Value at 31 December 2015 £'000
Fair value of scheme assets	13	4	6
Present value of scheme liabilities	(738)	(807)	(779)
Liability recognised on the consolidated statement of financial position	(725)	(803)	(773)

Analysis of income statement charge

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Net finance cost	21	28
Expense recognised in the consolidated income statement	21	28

Changes to the present value of the scheme liabilities during the year

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Opening defined benefit obligation	807	779
Current service cost	–	-
Interest on the scheme liabilities	21	28
Contributions by scheme participants	–	-
Actuarial (gains) / losses on scheme liabilities*	(55)	42
Net benefits paid out	(35)	(42)
Past service cost	–	–
Net increase in liabilities from disposals / acquisitions	–	–
Curtailments	–	–
Settlements	–	–
Closing defined benefit obligation	738	807

**includes changes to the actuarial assumptions.*

Notes to the Consolidated Financial Statements (continued)

22. Post-employment benefits (continued)

TBPS (continued)

Changes to the fair value of scheme assets during the year

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Opening fair value of scheme assets	4	6
Interest on the scheme assets	-	–
Actuarial gains / (losses) on scheme assets	-	–
Contributions by the employer	44	40
Contributions by scheme participants	-	–
Net benefits paid out	(35)	(42)
Net increase in assets from disposals / acquisitions	-	–
Settlements	-	–
Closing fair value of scheme assets	13	4

Actual return on scheme assets

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Interest on the scheme assets	–	–
Actuarial gain / (loss) on scheme assets	–	–
Actual return on scheme assets	–	–

Analysis of amounts recognised in other comprehensive income ("OCI")

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Total actuarial (losses) / gains	55	(42)
Total gain / (loss) in OCI	55	(42)

History of experience gains and losses

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Experience gains / (losses) on scheme assets	–	–
Experience gains / (losses) on scheme liabilities*	11	79
	11	79

**This item consists of gains / (losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions used. This history can be built up over time and need not be constructed retrospectively (and once complete will show the current period and previous four periods).*

Notes to the Consolidated Financial Statements (continued)

22. Post-employment benefits (continued)

TBPS (continued)

Summary

Reconciliation of pension to statement of financial position

	2017 £'000	2016 £'000
Opening balance	(803)	(773)
Loss recognised through the income statement:		
- PECRS	–	–
- TBPS	23	12
Actuarial (loss)/gain recognised in OCI:		
- PECRS	–	–
- TBPS	55	(42)
	(725)	(803)
Pension scheme reorganisation	–	–
Closing balance	**(725)**	**(803)**

23. Associated undertaking

The carrying value of the group's investment in an associate was as follows:

	Share of net assets £'000	Goodwill £'000	Total £'000
At 01 January 2017	**164**	**564**	**728**
Proportionate share of net results of the associate	(2)	–	(2)
Amortisation of goodwill	–	(115)	(115)
At 31 December 2017	**162**	**449**	**611**
At 01 January 2016	–	–	–
Proportionate share of profit retained by the associate	166	–	166
Goodwill on acquisition	–	586	586
Purchase consideration			**752**
Share of loss	(2)	–	(2)
Amortisation of goodwill	–	(22)	(22)
At 31 December 2016	**164**	**564**	**728**

In October 2016, the group acquired a 20% equity interest in NeoConsult ApS and Nomad IP ApS, unlisted Denmark based IT and software services companies. The total purchase consideration, including transaction costs was £752,349. The unamortised portion of the goodwill is included in the investment in associate undertaking's carrying amount.

24. Ultimate and immediate controlling party

The ultimate controlling party of JT Group Limited is the States of Jersey.

Notes to the Consolidated Financial Statements (continued)

25. Related party transactions

Under the terms of FRS 102, section 33 "Related Party Disclosures" the States of Jersey is considered to be a related party of the group. All commercial transactions between the parties are undertaken in the normal course of business.

The following transactions and balances relating to the States of Jersey departments are reflected in the financial statements.

	2017 £'000	2016 £'000
Transactions		
Revenue	4,088	3,880
Operating expenses	544	589
Preference shares interest	250	250
Equity dividends paid	4,692	5,496
Balances		
Trade receivables	756	647
Trade payables	24	2
Preference shares payable	10,000	10,000

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2017 £'000	2016 £'000
Salaries and other short term benefits	2,259	2,132
Post-employment benefits	81	87
	2,340	**2,219**

26. Directors' emoluments

	Basic Salary/Fees 2017 £' 000	Bonuses 2017 £' 000	Total 2017 £' 000	Total 2016 £' 000
Executive Directors				
Graeme Millar	230	133	363	346
John Kent	197	78	275	260
Non-Executive Directors				
John Stares	40	–	40	40
Colin Tucker	25	–	25	25
Phil Male	25	–	25	25
Sean Collins	25	–	25	25
Kevin Keen	25	–	25	25
Meriel Lenfestey	25	–	25	23
Total	**592**	**211**	**803**	**769**

During the year the company made pension contributions of £0.025m (2016: £0.02m) in respect of Mr. Millar.

Notes to the Consolidated Financial Statements (continued)

27. Capital and other commitments

	2017 £'000	2016 £'000
Capital expenditure committed and contracted	1,197	1,572
	1,197	**1,572**

The group has the following future minimum lease payments under non-cancellable operating leases for each of the following periods.

	2017 £'000	2016 £'000
Expiry date		
Not later than one year	2,367	2,271
Later than one year and not later than five years	7,775	7,429
Later than five years	6,663	8,076
	16,805	**17,776**

28. Principal subsidiary and associate undertakings

JT Group Limited has investments in the following subsidiaries, which principally affected the profits and net assets of the group.

Subsidiary undertaking	Place of incorporation	Trading/Non-trading	Principal activity
JT (Jersey) Limited (100% directly owned)	Jersey, Channel Islands	Trading	Provision of telecommunication services
JT (Guernsey) Limited (100% directly owned)	Guernsey, Channel Islands	Trading	Provision of telecommunication services
Jersey Telecom UK Limited (100% directly owned)	United Kingdom	Non-trading	Holding company for eKit.com Inc
eKit.com Inc (100% indirectly owned through Jersey Telecom UK Limited)	United States	Trading	Low cost roaming solutions to business and other travellers
eKit.com Pty Ltd (100% indirectly owned through eKit.com Inc)	Australia	Trading	Low cost roaming solutions to business and other travellers
eKit.com UK Ltd (100% indirectly owned through eKit.com Inc)	United Kingdom	Trading	Low cost roaming solutions to business and other travellers

Notes to the Consolidated Financial Statements (continued)

28. Principal subsidiary and associate undertakings (continued)

Subsidiary undertaking	Place of incorporation	Trading/Non-trading	Principal activity
Communications (Holdings) Ltd (100% directly owned)	United Kingdom	Non-trading	Holding company for Corporate Communications (Holdings) Ltd group subsidiaries
Worldstone Group Ltd (100% indirectly owned through Corporate Communications (Holdings) Ltd)	United Kingdom	Trading	Provision of communications consultancy and outsourcing services
JT (Global) Limited (formerly Corporate Communications (Europe) Ltd) (100% indirectly owned through Corporate Communications (Holdings) Ltd)	United Kingdom	Trading	Provision of communications consultancy and outsourcing service
Worldstone, Inc. (100% indirectly owned through Corporate Communications (Holdings) Ltd)	United States	Trading	Provision of communications consultancy and outsourcing services
NeoConsult ApS and Nomad IP ApS (20% indirectly owned through Jersey Telecom (UK) Limited)	Denmark	Trading	Development, consultancy, education, production, sales and investment in IT-services and products

29. Subsequent events

A final dividend for the year was approved for recommendation to the shareholders, note 9.

During March and April 2018, the entire equity share investment in Energous Corporation was disposed for total proceeds amounting to £4.3m, resulting in a net gain on investment since acquisition of £0.5m. Of this gain, £0.2m has been recognised as an unrealised gain up to 31 December 2017 and £0.3m will be recognised as a realised gain during 2018 from the disposal.

Other than as disclosed above, there have been no other subsequent events that require any adjustment or further disclosure since the statement of financial position date.