



Private and confidential

JT Group Limited

**Annual report and accounts
31 December 2011**

Contents

Business Review	1
Board of Directors.....	3
Corporate Governance	4
Report of the directors	7
Statement of directors' responsibilities	9
Independent auditor's report to the members of JT Group Limited	10
Consolidated profit and loss account.....	11
Consolidated statement of total recognised gains and losses.....	12
Consolidated reconciliation of movements in shareholder's funds	12
Consolidated balance sheet	13
Consolidated cash flow statement.....	14

Business Review

2011 was a year when JT Group Limited took very significant steps towards achieving its current five year business strategy, which runs until 2016. Perhaps the foremost of these was the rolling out of a new point-to-point fibre-optic broadband network, Gigabit Isles, which is currently being installed with the support and cooperation of our shareholder the States of Jersey.

As the accounts contained in this document show, the financial year ending 31st December 2011 resulted in group turnover reaching £107.9m, exceeding the record high set in 2010. Once again, that achievement must be set against the general economic climate which continues to be challenging, and the tough competition which JT Group Limited faces in all of its service areas, often against global brands. Despite those factors, profit before tax stood at £14.9m in 2011 compared to £11.7m in 2010, an increase of 27%.

Key Business Achievements

Treasury and Resources Minister, Senator Philip Ozouf signed a Ministerial Decision on 9th December 2011 which confirmed the support of our shareholder for a new ubiquitous fibre-optic network, which will allow all Island premises, residential and commercial, to access some of the world's fastest broadband speeds. This £40m initiative will support our vision of turning the Channel Islands into a telecommunications hub for Europe, and put them well ahead of their global competitors; in this way our Gigabit Isles project should be a key factor in future economic growth.

The first homes have now been connected to the new network, and we have published the roll-out plan which will provide every address in Jersey with access to a fibre connection by 2015.

Our plans for that network were one of the major reasons the global telecoms firm UTStarcom decided to move its entire European R & D facility to Jersey in 2011, becoming the first company to take up residence in JT Lab, which opened in December.

In Guernsey, JT won a major contract to install and maintain a new fibre network connecting all States of Guernsey sites, such as hospital facilities and schools. This will allow the States to deliver efficiencies derived from new ways of working, as well as making the most of the opportunities presented by digital technology.

2011 saw the completion of the £11m Next Generation Network to replace the previous 'System X', which has served the Island since the 1980's. All Island premises are on course to be connected to the NGN by May 2012, which will drastically increase the services available to them, as well as the quality of their broadband connections, with the vast majority being able to access speeds of up to 20Mb/s. This puts the Island between ten and fifteen years ahead of the UK.

Finally on the subject of networks, we have invested once again in our mobile offering, in order to make sure we continue to provide the best in the Channel Islands. By the end of this financial year we were well on the way to launching sites in Jersey and Guernsey which will provide 4G data speeds of 42Mb/s; once again these are some of the quickest in the world. This has been done to keep pace with customers' demand for data on the move, which continues to increase exponentially. In 2011 JT created a separated Wholesale function under the leadership of John Diamond, which went on to trade very successfully, securing clients such as the Merlin group (Alton Towers & The London Eye) for new products like Mobile Voice Short Codes, which provide a Freephone number for mobiles for the first time.

People and Structure

JT continues to invest heavily in the talents of its workforce which are a key source of competitive advantage. The expansion of the Group beyond its home jurisdiction has also broadened the opportunities for staff to gain experience of working in other locations and business environments.

Business Review *(continued)*

People and Structure *(continued)*

JT's acquisition of ekit (which has offices in London, Melbourne and Boston) created new openings for staff across the globe, and the first of our people began to take up those opportunities with a two-year transfer to Melbourne.

JT signed up the first three new apprentices in 2011, as well as providing bursaries to local students taking science or technology related degrees in the UK. Along with a new graduate scheme, these initiatives are a vital part of JT's objective of being included in the UK's top 100 'Best Companies' to work for.

Partnerships and Acquisitions

One of the key strategic aims for JT is to develop strategic partnerships with customers and suppliers across the world. 2011 saw some very significant progress in this area, with JT supporting the international development of a variety of major businesses such as Kleinwort Benson, Ogier, Mourant Ozanne, CPA, HSBC, RBC, Barclays and Bedells. JT also won major contracts to provide the network circuits for the States of Jersey, and to deliver a mobile telephony solution for Waitrose.

One of our major recent acquisitions, eKit.com Inc, was fully integrated into the JT business through 2011, with the result that JT became a regulated telecommunications provider in the USA. That acquisition delivered a range of benefits for our customers such as a new international number product which reduces roaming charges - 1% of our mobile base registered for this new product in just four weeks. JT's integration of eKit.com Inc also enabled a further acquisition, this time of a company called GO-SIM, which will help JT to provide innovative new roaming products.

Service Developments

In March 2011 the Assistant Chief Minister, Senator Paul Routier MBE opened our new state-of-the-art data centre at Rue des Pres, making us the largest provider of data hosting services in the Channel Islands with six centres offering a total of seven hundred racks of equipment, following a £15m investment in this sector.

That significant development in our data hosting service was reflected in other areas such as a new platform for our prepaid services, resulting in record sales averaging more than double their previous level. To support those services, 2011 also saw the introduction of a new call management system across all of the Group, and a new Contact Centre, both of which were designed to make sure we deal with customer calls efficiently and effectively.

JT has driven forward on a broad range of fronts through 2011; perhaps that progress is best summarised with the refreshing of our brand, which was completed in Jersey towards the end of the year. The new styling 'JT' reflects a positive company which is ready to compete successfully on a global stage; with the accompanying positioning statement 'Join Together' it captures the core proposition which we offer to customers, and which has made 2011 a successful year in the history of the company, and a vital step forward in our five year strategy for growth.

Board of Directors

Non-Executive Directors

Chairman

John Boothman

John Boothman retired in 2002 as Managing Director of Deutsche Bank International Limited. John is non-executive chairman of Aztec Group Limited and a director of the Jersey International Business School. He holds several other directorships in the finance industry.

John Stares

John Stares is the Managing Director of Guernsey Enterprise Agency and a non-Executive Director/Advisor to a number of other Channel Island CI-headquartered groups of companies. He is a Fellow of the Institute of Chartered Accountants of England and Wales, a Member of the Worshipful Company of Management Consultants and a member and former President of Rotary Guernesiais. Prior to moving to Guernsey in 2001, John was with Accenture for 23 years. During that period, he worked as a strategic, financial, change and IT consultant with major clients in most industry sectors and held a wide variety of leadership roles in Accenture's Canadian, European & Global consulting businesses.

Colin Tucker

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.

Phil Male

Phil Male previously worked for Cable & Wireless, heading the Customer Services, Networks and Operations division, subsequently taking over corporate strategy and running the demerger process that separated out C&W Communications and C&W Worldwide. Phil has previously been the Chief Operating Officer at THUS plc for nine years, a business that he floated on the London Stock Exchange in 1999, at the age of 33.

Executive Directors

Graeme Millar – Chief Executive Officer

A graduate in Natural Sciences with a postgraduate engineering qualification, both from the University of Cambridge, Graeme has two decades of telecoms experience. He has gradually moved from technical and operational roles during over 6 years with Motorola through to senior sales, marketing and commercial positions during almost 11 years at Vodafone, culminating in his appointment as a director of Vodafone Netherlands. 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 with over 70 million subscribers.

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 the bulk 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.

Corporate Governance

The Board is committed to ensuring that high standards of corporate governance are maintained by the company.

The Board confirms that the company has, throughout the period under review, complied with the provisions recommended by the Combined Code on Corporate Governance of the Financial Reporting Council ("the Code").

The Company applies the Principles of the Code through its own behaviour, by monitoring corporate governance best practice and by adopting appropriate recommendations of relevant bodies including the Institute of Chartered Secretaries and Administrators (ICSA) and the Institute of Chartered Accounts of England and Wales.

The Board

The Board comprises executive and non-executive directors with all the non-executive directors adjudged as being independent, with the exception of the Chairman for whom the test of independence is not considered appropriate under the terms of the Combined Code. Nevertheless, were the test to be applied, the Chairman would be considered independent.

All directors are collectively responsible for the success of the company. However, executive directors have direct responsibility for business operations, whereas the non-executive directors have a responsibility to bring independent objective judgement to bear on Board decisions. Key matters such as approval of the company's objectives and commercial strategies, budgets and risk management strategy are reserved for the Board and these are set out in a formal statement of the Board's role.

To help maintain a strong executive presence on the Board, in addition to the executive directors attending, members of the management board routinely attend Board meetings.

John B Stares is the Senior Independent director.

The executive directors are not subject to retirement by rotation but they are subject to periods of notice of termination of employment as are the other members of the company's senior management.

Attendance at meetings

Directors are generally provided with the papers for Board and committee meetings one week in advance. During 2011 there was full attendance at all Board and committee meetings.

Board Committees

Membership of the Board Committees varied during the year but as at 31st December 2011, the make-up was as follows:

Audit Committee	Remuneration Committee	Nomination Committee
John Stares (Chairman)	Colin Tucker (Chairman)	Colin Tucker (Chairman)
Phil Male	John Stares	John Stares
Colin Tucker	John Boothman	John Boothman
	Phil Male	Phil Male

Corporate Governance *(continued)*

Audit Committee

The Audit Committee has responsibility for the effectiveness of the Company's internal controls which are designed to manage rather than eliminate the risk of failure to achieve the strategic objectives. The Audit Committee's terms of reference comply with the Combined Code.

In order to fulfil its terms of reference, the Audit Committee receives and reviews presentations and reports from the Chief Financial Officer, the Chairman of the Company's Risk Working Group and the external auditors, Deloitte. Furthermore, the Audit Committee monitors the database of risks maintained by the Risk Working Group and assesses the acceptability of the impact and likelihood ratings that are applied to each risk.

Remuneration Committee

The Remuneration Committee makes recommendations to the Board regarding the remuneration of Executive Directors and senior management and considers the on-going appropriateness and relevance of the remuneration policy.

The Remuneration Committee's terms of reference comply with the Combined Code and in order to fulfil these, it receives and reviews presentations and reports, primarily from the Company's HR Director but also from independent external agencies.

Nomination Committee

The Nomination Committee makes recommendations to the Board regarding the appointment of Executive and Non-Executive Directors as well as other senior appointments. The Committee's terms of reference comply with the Combined Code.

Executive Committee

Responsibility for implementation of the strategies agreed by the Board and the consideration of matters relevant to the operational management of the business is delegated to the executive committee, which is a committee chaired by the Chief Executive Officer and made up of senior executives. The executive committee normally meets throughout the year on a weekly basis.

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 and Resources 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 operating at all times in the best interests of the company.

Report of the Remuneration Committee

The structure of remuneration is simple with no equity participation by the directors. Salaries are established by reference to those prevailing in the market generally for executive and non-executive directors of comparable status, responsibility and skills in comparable industries. The Committee uses executive remuneration surveys prepared by independent consultancy firms to assist in establishing market levels.

Bonuses paid relate to performance during 2011.

There were no changes to the levels of remuneration paid to non-executive directors during 2011.

	Basic Salary / Fees 2011 £	Bonuses 2011 £	Benefits in Kind 2011 £	Total 2011 £	Total 2010 £
Executive Directors					
Graeme Millar	169,894	68,000	-	237,894	212,447
John Kent *	-	-	-	-	-
Geoff Weir	34,517	-	-	34,517	148,575
Robert Lawrence	-	-	-	-	87,087
Non-Executive Directors					
John Boothman	40,000	-	-	40,000	40,000
John Stares	20,000	-	-	20,000	20,000
Colin Tucker	20,000	-	-	20,000	3,333
Phil Male	8,333	-	-	8,333	-
Dr Nigel Horne	12,500	-	-	12,500	25,000
David Le Quesne	-	-	-	-	15,000
Total	305,244	68,000	-	373,244	551,442

*John Kent was appointed 23 February 2012.

Company pension contributions were made in respect of Executive Directors as follows:

	2011 £	2010 £
Executive Directors		
Graeme Millar	24,000	22,923
Geoff Weir	3,550	17,650
Robert Lawrence	-	2,401

Report of the directors

Incorporation

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

Group structure

During December 2011 the group was restructured. Prior to this restructure, JT Group Limited, as a holding company, maintained 100% ownership in the following companies:

Jersey Telecom Limited
Wave Telecom Limited
JTG (St Helier) Limited
JTG (St Saviour) Limited
JTG (Parishes) Limited
JTG (External) Limited
JTG (Mast) Limited
Wave Data Services Limited

On 22 December 2011 the assets and liabilities of the following companies were transferred into Jersey Telecom Limited:

JTG (St Helier) Limited
JTG (St Saviour) Limited
JTG (Parishes) Limited
JTG (External) Limited

On 28 December 2011 the assets and liabilities of Wave Data Services Limited were transferred into Wave Telecom Limited.

On 1 January 2011 Jersey Telecom UK Limited, which is 100% owned by JT Group Limited, acquired 100% of the share capital of eKit.com Inc.

The names of Jersey Telecom Limited and Wave Telecom Limited were changed to JT (Jersey) Limited and JT (Guernsey) Limited respectively, on 31 January 2012.

Principal activities

The principal activity of the group and its subsidiaries is the supply of communications services and equipment.

Dividends

Dividends of £6,100,000 were paid during 2011 (2010: £4,500,000).

Directors

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

John C Boothman	
John B Stares	
Phil Male	(appointed 25 August 2011)
Colin Tucker	
Graeme Millar	
John Kent	(appointed 23 February 2012)
Dr Nigel W Horne	(resigned 1 November 2011)
Geoff Weir	(resigned 11 March 2011)

Report of the directors *(continued)*

Directors and their interests

The directors of the group as at 31 December 2011 had no interests, beneficial or otherwise, in the shares of the group.

Auditor

Deloitte LLP has expressed its willingness to continue in office.

By order of the board

A handwritten signature in black ink, appearing to read 'Daragh J McDermott', written in a cursive style.

Daragh J McDermott
Company secretary

Statement of directors' responsibilities

The directors are responsible for preparing 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). 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue in business.

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.

Independent auditor's report to the members of JT Group Limited

We have audited the consolidated financial statements of JT Group Limited for the year ended 31 December 2011, which comprise the consolidated Profit and Loss Account, the consolidated Statement of Total Recognised Gains and Losses, the consolidated Reconciliation of Movements in Shareholder's Funds, the consolidated Balance Sheet, the consolidated Cash Flow Statement and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the group'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 group'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 group and the group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the consolidation financial statements sufficient to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the consolidated financial statements. In addition, we read all the financial and non-financial information in the report of the directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on consolidated financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the consolidated financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

for and on behalf of Deloitte LLP
Chartered Accountants
St Helier
Jersey

Consolidated profit and loss account
for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Continuing operations			
Turnover	2	107,879	96,173
Cost of sales		(25,922)	(19,464)
Gross profit		81,957	76,709
Administrative costs		(700)	(535)
Other operating expenses	3	(64,171)	(62,277)
Operating profit		17,086	13,897
Interest income and similar income		23	40
Interest expense and similar charges	5	(2,214)	(2,282)
Profit on ordinary activities before taxation		14,895	11,655
Tax on profit on ordinary activities	6	(2,649)	(2,942)
Profit for the financial year		12,246	8,713

All the items dealt with in arriving at profit for the financial year for 2011 and 2010 relate to continuing operations.

Consolidated statement of total recognised gains and losses
for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Profit for the financial year		12,246	8,713
Actuarial (loss)/gain on Public Employees Contributory Retirement Scheme sub-fund	20	(314)	6,370
Actuarial (loss)/gain on Telecommunications Board Pension Scheme	20	(3)	15
Adjustment on deferred taxation on actuarial gain/(loss)	20	63	(1,278)
Total recognised gains and losses since last annual report and financial statements		11,992	13,820

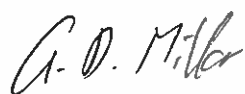
Consolidated reconciliation of movements in shareholder's funds
for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Balance at 1 January 2011		60,040	50,720
Profit for the financial year		12,246	8,713
Actuarial (loss)/gain		(317)	6,385
Adjustment on deferred taxation on actuarial gain/(loss)	6	63	(1,278)
Dividends	7	(6,100)	(4,500)
Net increase in shareholder's funds		5,892	9,320
Translation reserve		169	-
Balance at 31 December 2011		66,101	60,040

Consolidated balance sheet
at 31 December 2011

	Note	2011 £'000	2010 £'000
Non-current assets			
Goodwill	9	20,750	8,421
Other intangible assets		243	-
Tangible assets	10	82,091	76,129
Investments	11	10	10
Deferred tax asset	6(c)	2,387	987
Other assets	12	-	12,460
<hr/>			
Current assets			
Stocks	13	2,345	1,692
Debtors	14	17,629	14,722
Cash at bank and in hand		6,681	6,339
<hr/>			
Total assets		132,136	120,760
<hr/>			
Creditors: amounts falling due within one year			
Creditors	15	16,380	10,005
Current tax liabilities		2,495	2,970
Borrowings		1,750	1,750
Deferred revenue	16	5,017	4,993
<hr/>			
Net current assets		1,013	3,035
<hr/>			
Creditors: amounts falling due after more than one year			
Borrowings	17	7,027	8,750
Deferred tax liabilities	6(c)	3,455	2,902
Long term provisions	20	9,911	9,350
9% preference shares	17	20,000	20,000
<hr/>			
Net assets		66,101	60,040
<hr/>			
Capital and reserves			
Share capital	18	20,000	20,000
Equity reserve	19	45,932	40,040
Translation reserve		169	-
<hr/>			
Shareholder's funds		66,101	60,040
<hr/>			

The financial statements were approved by the board of directors on 23 May 2012 and were signed on its behalf on 11 June 2012 by:



G Millar
Chief Executive Officer



J Kent
Chief Financial Officer

Consolidated cash flow statement
for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Profits for the year		17,086	13,897
Adjustments for:			
Depreciation		13,304	15,723
Amortisation		1,081	443
Loss on disposal of plant, property and equipment		72	205
Increase in provisions		307	-
Operating cash flows before movements in working capital		31,850	30,268
(Increase)/decrease in stocks		(654)	228
Increase in debtors		(4,594)	(1,317)
Increase/(decrease) in creditors		5,953	(2,849)
Net cash inflow from operating activities		32,555	26,330
Taxation paid		(2,970)	(1,736)
Interest paid		(414)	(482)
Preference interest paid		(1,440)	(1,440)
Net cash outflow from return on investments and servicing of finance		(4,824)	(3,658)
Capital expenditure and financial investment			
Interest received		23	40
Proceeds on disposal of plant, property and equipment		-	21
Purchases of plant, property and equipment		(19,254)	(12,318)
Purchases of intangibles		(243)	-
Acquisition of subsidiaries		(261)	-
Investment cost		-	(12,000)
Net cash outflow from capital expenditure and financial investment		(19,735)	(24,257)
Financing activities			
Dividends paid		(6,100)	(4,500)
Repayment of borrowings		(1,723)	-
Cash acquired from ex-Newtel companies		-	1,020
Net cash outflow from financing activities		(7,823)	(3,480)
Increase/(decrease) in cash		173	(5,065)
Cash at bank and in hand at beginning of the year		6,339	11,404
Effect of foreign exchange rate changes		169	-
Cash at bank and in hand at end of year		6,681	6,339