

**E-LLAN COMMUNICATIONS LIMITED**

**ANNUAL REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2020**

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## DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 2020.

### PRINCIPAL ACTIVITY

The principal activity of e-llan Communications Limited ("the Company") is that of the operation of a fibre optic cable between the United Kingdom and the Isle of Man.

### RESULTS AND TRANSFERS TO RESERVES

The results and transfers to reserves for the year are set out on page 8.

### DIVIDEND

The Directors do not propose the payment of a dividend (2019 : £nil).

### DIRECTORS

The Directors who served during the year and up to the date of this report were:

- P A Greenhill (appointed 14 August 2020)
- A J Allinson (resigned 19 May 2020)
- P E King
- W D Mummery
- J A Cowan
- A W Dobbins

Ms K J Westcott has served as Company Secretary during the year and up to the date of this report.

### AUDITOR

During the year, Grant Thornton Limited was appointed as auditor by Isle of Man Government's Treasury Department. Grant Thornton Limited, being eligible, has expressed their willingness to continue in office in accordance with Section 12 (2) of the Isle of Man Companies Act 1982.

By order of the Board

K J Westcott  
Secretary



Date: 22 December 2020

Registered Office:

- Manx Utilities Authority Headquarters, Isle of Man Business Park, Ballacottier, Cooil Road, Braddan, Isle of Man.

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## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law.

Company law requires the Directors to prepare financial statements for each financial year, which meet the requirements of the Isle of Man Company law and the Accounts and Audit Regulations 2018 made under the Audit Act 2006. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland, as applicable to an Isle of Man Company.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company 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;
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Acts 1931 to 2004 and the Accounts and Audit Regulations 2018 made under the Audit Act 2006. They are responsible for 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF E-LLAN COMMUNICATIONS LIMITED**

We have audited the financial statements of e-llan Communications Limited (the 'Company') for the year ended 31 March 2020 which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

### **OPINION**

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 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 Isle of Man Companies Acts 1931 to 2004.

### **BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **WHO WE ARE REPORTING TO**

This report is made solely to the Company's members, as a body, in accordance with section 15 of the Companies Act 1982. 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.

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# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF E-LLAN COMMUNICATIONS LIMITED (CONTINUED)

## CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors' have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, as we cannot predict with certainty all future events or conditions and as any subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report cannot be viewed as a guarantee as to the Company's ability to continue as a going concern.

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the directors' report set out on page 3, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF E-LLAN COMMUNICATIONS LIMITED (CONTINUED)

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Acts 1931 to 2004 require us to report to you if, in our opinion:

- the Company has not kept proper books of account, or if proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the books of account and returns; or
- the financial statements do not contain particulars as to loans to, and remuneration of directors; or
- we have not received all the information and explanations which are necessary for the purposes of our audit.

## RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

*Grant Thornton Limited*

Grant Thornton Limited  
Douglas  
Isle of Man

23<sup>rd</sup> December 2020

## STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 MARCH 2020

<b>Note</b>	<b>2019-20</b> <b>£</b>	<b>2018-19</b> <b>£</b>
Turnover	<b>740,072</b>	772,802
Operating Expenses	<b>(567,838)</b>	(835,057)
<b>5</b> <b>Gross Profit/(Loss)</b>	<b>172,233</b>	<b>(62,255)</b>
Interest payable	<b>1,023</b>	(139)
<b>Profit/(Loss) Before Tax</b>	<b>173,257</b>	<b>(62,394)</b>
<b>7</b> Taxation	-	-
<b>Profit/(Loss) After Tax</b>	<b>173,257</b>	<b>(62,394)</b>
<b>Reserves at the beginning of the year</b>	<b>(30,919)</b>	<b>31,476</b>
Profit/(Loss) for the year	<b>173,257</b>	(62,394)
<b>Reserves at the end of the year</b>	<b>142,338</b>	<b>(30,919)</b>

The notes on pages 10 to 16 form an integral part of these financial statements.

The Directors consider that all results derive from continuing activities.



## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

Note		2020 £	2019 (Restated) £
9	<b>Tangible fixed assets</b>	<b>302,732</b>	<b>393,408</b>
	<b>Current assets</b>		
	Trade and other debtors	192,497	180,278
	Prepayments	95,104	94,962
	Cash and cash equivalents	53,727	97,839
		<b>341,328</b>	<b>373,079</b>
	<b>Creditors: amounts falling due within one year</b>		
	Creditors and accruals	(203,056)	(236,392)
12	Due (to)/from controlling party	201,335	(61,015)
		<b>(1,722)</b>	<b>(297,406)</b>
	<b>Net current assets</b>	<b>339,606</b>	<b>75,673</b>
	<b>Total assets less current liabilities</b>	<b>642,338</b>	<b>469,082</b>
	<b>Net assets</b>	<b>642,338</b>	<b>469,082</b>
	<b>Capital and reserves</b>		
10	Share capital	500,000	500,000
	Retained reserves	142,338	(30,918)
	<b>Equity shareholder's funds</b>	<b>642,338</b>	<b>469,082</b>

The notes on pages 10 to 16 form an integral part of these financial statements.

The financial statements on pages 8 to 16 were authorised for issue by the Board of Directors on 22 December 2020.



**P A Greenhill**  
Director



**P E King**  
Director

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

## 1. GENERAL INFORMATION

e-llan Communications Limited is a private company limited by shares incorporated under the Isle of Man Companies Acts 1931 to 2004.

- Company registration number: 121148C
- Registered Office address: Manx Utilities Authority HQ, Isle of Man Business Park, Ballacottier, Cooil Road, Braddan, Isle of Man, IM2 2QZ.

## 2. BASIS OF PREPARATION

These financial statements have been prepared in compliance with United Kingdom accounting standards, including Financial Reporting Standard 102 ("FRS 102") as applicable to an Isle of Man company. They have also been prepared in accordance with the Accounts and Audit Regulations 2018 made under the Audit Act 2006 and any other applicable statutory provisions, to the extent applicable to the Company.

These financial statements are presented in Pound Sterling (£) which is considered the functional and presentational currency of the Company.

These financial statements are prepared under the historical cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value.

These financial statements have been prepared on a going concern basis.

## 3. ACCOUNTING POLICIES

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

### Revenue Recognition

#### *(i) Turnover*

- Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes and duties.
- Income, which relates to charges for the use of the Company's fibre optic cable between the Isle of Man and the United Kingdom, is accounted for on an accruals basis.

#### *(ii) Interest income*

- Interest income is recognised using the effective interest rate method.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

### Operational Expenditure

#### *(i) Operating expenses*

- All expenses are recognised on an accruals basis.

#### *(ii) Employee benefits*

- The Company provides a range of benefits to employees, including paid holiday arrangements. Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.
- The Isle of Man Government operates a number of occupational pension schemes for staff employed under a variety of pay agreements. One of these schemes, the Government Unified Scheme, also applies to the Company. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the Statement of Financial Position.

#### *(iii) Operating leases*

- 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 Statement of Income and Retained Earnings on an accruals basis.

### Tangible Fixed Assets

#### *(i) Recognition*

Tangible fixed assets represent the cost of telecommunications equipment and related professional and finance expenses.

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs. Where such expenditure is less than a specified de-minimis level it is not capitalised but is charged to the Statement of Income and Retained Earnings in the year in which it is incurred. Capital expenditure incurred on tangible assets that does not materially add to the value of those assets is written off to the statement of income and retained earnings.

Finance costs that are directly attributable to the construction of tangible fixed assets are capitalised as part of these assets.

#### *(ii) Depreciation*

Depreciation is applied using a straight-line method over the estimated operating lives of the assets. The assets are depreciated over their useful economic lives from the date the project taking over certificate was issued. The telecommunications equipment is being depreciated over 5-15 years.

The estimated useful economic lives, residual values, and depreciation method are reviewed at each period end with the effect that any changes in estimates are accounted for on a prospective basis. Depreciation is first charged in the year following that in which the expenditure was incurred or, in respect of generation and processing plant, the year of commissioning.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

### *(iii) Subsequent measurement and additions*

Subsequent costs, including major inspections, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of any replaced asset is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

### **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 financial liabilities in current liabilities.

### **Taxation**

Taxation is provided for all periods for which these financial statements form the basis of assessment.

### **Cash flow Statement**

No cash flow statement has been prepared as the Company has satisfied the exemption criteria under Financial Reporting Standard 102 (Section 1.12) as a wholly owned subsidiary of Manx Utilities, whose consolidated financial statements are publically available.

### **Arithmetic Rounding**

These financial statements are prepared using figures extracted from Manx Utilities' financial systems which are rounded to the nearest penny, but presented here rounded to the nearest pound. This may cause some small differences between total amounts shown and the sum of the amounts (as presented) relating to the total amount.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

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 Company's 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 set out below.

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.

#### *(i) Covid-19 pandemic*

On the 11 March 2020 the World Health Organisation declared a pandemic in respect of the Covid-19 virus. On the 16 March 2020 the Isle of Man Government invoked powers under the Emergency Powers Act 1936 and introduced numerous regulations and restrictions to the Isle of Man. These powers remained in place until 18 June 2020. The introduction of restrictions to normal activities has had a significant adverse impact on economic activity on the Isle of Man, as have restrictions introduced around the world.

The impact of Covid-19 on economic activity could impact on various aspects of an entity's financial statements. Examples of such impacts include the use of the going concern basis of preparation of the financial statements, the impairment of the net book values of fixed assets and the recoverability of debts. The Directors consider that no aspects of these financial statements need to be adjusted for the impact of Covid-19.

#### *(ii) Determination of the useful lives of tangible assets (Note 3)*

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 9 for the carrying amount of tangible assets and Note 3 for the useful economic lives of each asset class.

### 5. GROSS PROFIT/(LOSS)

Gross profit/(loss) is stated after charging:

	2019-20	2018-19
	£	£
Auditor's remuneration	<b>1,000</b>	1,000
Depreciation	<b>107,133</b>	93,101
Rental payments	<b>10,000</b>	10,000

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

### 6. OPERATING LEASE COMMITMENTS

The company leases office accommodation from its parent, Manx Utilities Authority. Total future minimum payments under operating leases are as follows:

	2019-20 £	2018-19 £
<b>Total future minimum lease payments:</b>		
Not later than one year	-	10,000
Later than one year and not later than five years	-	-
Late than five years	-	-

### 7. TAXATION

The Company is subject to taxation at 0% (2018-19 : 0%) and the charge for the year was £nil (2018-19 : £nil).

### 8. DIRECTORS' FEES

Board Members of Manx Utilities who are also Directors of the Company do not receive Directors' Fees in addition to their Board Members' fees, which are disclosed in Manx Utilities' own financial statements. Employees of Manx Utilities who are also a Director of the Company do not receive Directors' Fees in addition to their employment remuneration.

There were no Directors who were neither a Board Member nor employee of Manx Utilities during the year (2018-19 : none). The following Directors of the Company were also Board Members or employees of Manx Utilities during the year:

- P A Greenhill (appointed 14 August 2020)
- A J Allinson (resigned 19 May 2020)
- P E King
- W D Mummery
- J A Cowan
- A W Dobbins

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

### 9. TANGIBLE ASSETS

Telecommunications equipment	2020 £	2019 £
<b>At 31 March 2018</b>		
Cost	800,482	738,224
Accumulated depreciation	(407,073)	(313,972)
<b>Net book amount</b>	<b>393,408</b>	<b>424,252</b>
<b>Year Ended 31 March 2019</b>		
Opening net book amount	393,408	424,252
Additions	16,457	62,258
Depreciation	(107,133)	(93,101)
<b>Closing net book amount</b>	<b>302,732</b>	<b>393,408</b>
<b>At 31 March 2019</b>		
Cost	816,938	800,482
Accumulated depreciation	(510,254)	(407,073)
<b>Net book amount</b>	<b>302,732</b>	<b>393,408</b>

### 10. SHARE CAPITAL

	2020 £	2019 £
<b>Authorised</b>		
Ordinary shares of £1 each	500,000	500,000
<b>Issued</b>		
Ordinary shares of £1 each	500,000	500,000

All shares carry the right to one vote, dividends as proposed by the Directors and an equal share of the assets on a winding up.

During the year there was no change to the authorised or issued share capital. During the previous year, the Directors increased the authorised share capital by 499,000 ordinary £1.00 shares to 500,000 ordinary £1.00 shares and issued 499,999 ordinary £1.00 shares.

### 11. POST BALANCE SHEET EVENTS

The Directors are not aware of any material post balance sheet events since 31 March 2020.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

### 12. RELATED PARTY TRANSACTIONS

The Company's only related party transactions are with its parent entity, Manx Utilities Authority, and fellow wholly owned subsidiaries and so have not been disclosed as exemption criteria in FRS 102 Section 1.12 have been met.

Balances due to and from the controlling party are the subject of a loan facility in the amount of £2.0 million (2019: £nil). The amounts are unsecured and require 12 months' notice for repayment. Interest is charged monthly at the Base Rate set by the Bank of England's Monetary Policy Committee plus 2.00%.

Balances due to the controlling party in the previous year were unsecured, interest free and repayable on demand.

### 13. COMPARATIVE AMOUNTS

During the preparation of these financial statements it was identified that there was an error in the recognition of expenses prepaid during the year to 31 March 2019 for the year to 31 March 2020.

This has been corrected during the preparation of these financial statements and the comparative amounts for 2018-19 and as at 31 March 2019 have been restated accordingly. The impact on the previously stated surplus for the financial year ended 31 March 2019 and the total reserves as at 31 March 2019 is shown below:

	<b>2018-19</b>
	<b>£'000s</b>
<b>Surplus/(deficit) for the financial year:</b>	
As previously stated	(30,686)
Operating expenses - prepayments adjustment	(31,708)
<b>As restated</b>	<b><u>(62,394)</u></b>
	<b>31 March</b>
	<b>2019</b>
As previously stated	790
Operating expenses - prepayments adjustment	(31,708)
<b>As restated</b>	<b><u>(30,918)</u></b>



