# TELEHOUSE INTERNATIONAL CORPORATION OF EUROPE LTD



ANNUAL REPORT
For the year ended 31 March 2017

Company registration number: 2138407

TELEHOUSE INTERNATIONAL CORPORATION OF EUROPE LTD

ANNUAL REPORT

for the year ended 31 March 2017

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# TELEHOUSE INTERNATIONAL CORPORATION OF EUROPE LTD

## OFFICERS AND PROFESSIONAL ADVISERS

| | |
|---|---|
| Executive Directors | K. Sakai – Managing Director (appointed 1 April 2017)<br>K. Ohno (appointed 1 April 2017)<br>H. Soshi |
| Registered office | Coriander Avenue<br>London<br>E14 2AA |
| Registered number | 2138407 |
| Bankers | Barclays Bank PLC<br>Mizuho Corporate Bank Limited<br>Sumitomo Mitsui Banking Corporation<br>The Bank of Tokyo-Mitsubishi UFJ Limited |
| Solicitors | Eversheds LLP<br>1 Wood Street<br>London<br>EC2V 7WS |
| Independent Auditors | PricewaterhouseCoopers LLP<br>1 Embankment Place<br>London<br>WC2N 6RH |

The directors submit their annual report and the audited consolidated and company financial statements of Telehouse International Corporation of Europe Ltd ("Telehouse", "the Group") for the year ended 31 March 2017.

## Principal activities and strategy

Established in 1989, Telehouse is a pioneering carrier-neutral data centre colocation and ICT solutions provider, with headquarters in London, UK. Telehouse is an owner and operator of premium data centre facilities, providing connectivity and managed ICT solutions to over 3000 customers from 48 data centre facilities worldwide. Telehouse is the data centre subsidiary of KDDI Corporation, a leading Japanese telecommunications and ICT solutions provider and Global Fortune 300 company with 106 offices in 28 countries around the world.

This report specifically covers the activities of Telehouse International Corporation of Europe Ltd, a company incorporated and domiciled in the United Kingdom and the Group with operations in the UK, France and South Africa. The Group's principal activity is to support its customers IT infrastructure with a comprehensive range of data centre and ICT solutions including connectivity and cloud services, from its secure, low latency facilities.

Telehouse International Corporation of Europe Ltd has a strong presence and is centre for the global internet network in two locations: London, home to the London Internet Exchange (LINX) since 1994, Paris through its partnership with the French Internet Exchange (France-IX), as well as having a presence in South Africa. As a leading provider of carrier-neutral data centres, Telehouse has partnered with carriers, mobile and content providers, enterprises and financial services companies, to create Telehouse Interconnect. Telehouse Interconnect provides fast, efficient and secure interconnections, accelerated speed to market and the creation of new business opportunities for Telehouse customers. This high level of connectivity is a key differentiator between Telehouse and its competitors.

To meet the needs of its global customers, Telehouse International Corporation of Europe Ltd can connect its customer's equipment from and to any of the 48 Telehouse global locations, providing them with a multinational, multiple-site data centre with low latency and proximity to their end users.

## Business Review

The Group financial statements for the year under review have been prepared under International Financial Reporting Standards as adopted by the European Union.

Telehouse delivered profit before tax of £63.7m in the year ended 31 March 2017 (2016: £54.2m). This profit has been achieved by a good revenue performance and careful cost management. Telehouse achieved a revenue increase of 13% on the year to March 2016. The growth in revenue was generated due to investment in power capacity at the docklands campus, enabling further datacentre sales, as well as strong growth in interconnections services and the Paris cloud service. Embedding of strong procurement governance supported strong cost management.

Cash generated by the Group from operating activities was £41.4m (2016: £50.7m) in the year. Due to the nature of the data centre business, cash flows are cyclical. Telehouse utilises a European group cash pooling agreement with KDDI Europe Limited (a UK registered subsidiary of the global parent company KDDI Corporation), replacing the facilities previously required with local Japanese banks. This method of cash management within the Group has reduced interest bearing debt as all surplus cash held is utilised. During the year short-term loans drawn were £3.5m (2016: £3.6m) and maximum deposits placed were £12.3m (2016: £9.2m).

Investment cash flow has been by way of long-term loan facilities provided by the EU cash pooling agreement administered by KDDI Europe Limited which has been utilised since January 2015. During the year maximum long term loans drawn were £3.0m (2016: £14.0m). As at 31 March 2017, borrowing facilities available but undrawn, were £16.0m (2016: £19.0m).

Capital expenditure related to continuous site and infrastructure improvements as well as development of new products and services across London (£27.9m) and Paris (£2.5m).

Total net debt decreased by £7.2m to £44.0m during the 12 month period from 1 April 2016. This relates to financing obtained from KDDI Europe Limited for the new London North 2 facility. This includes loans with terms between 3 and 5 years, with a remaining balance of £59.0m (London) and £nil (Paris) as at 31 March 2017.

The repayment schedule for the loans provided by the parent and related company commences in 2017 and continues until 2021.

Surplus funds will continuously be utilised to invest in the existing facilities, expansion programs and the development of further value added services.

## Future prospects and developments

Trends reported by CBRE in May 2017 indicate a fourth quarter of continued growth across the four main European data centre colocation hubs, London, Frankfurt, Paris and Amsterdam. Take-up within these markets averaged 27MW during Q1 2017, over 7MW more than Q1 2016 and 60 percent more than the established quarterly average of 15MW. This take-up was driven by growth in London which contributed 17.5MW, more than 60 percent of the total for these regions. If this trend continues, 2017 will see similar take-up to 2016, an excess of 100MW for these regions.

The growth and adoption of cloud services is seeing enterprises shift workloads from on premise to the cloud, with enterprises using multiple cloud services according to a recent survey by Telehouse. Businesses are demanding private and secure connections to the cloud to ensure optimal performance and scalability. According to publisher Data Economy, the rapid adoption of cloud services worldwide has driven the market to grow 25 percent year-on-year and to reach $148 billion in operator and vendor revenues.

Procuring and provisioning these cloud services present a barrier for enterprise, providing an opportunity for Telehouse to bridge the gap between end-users and cloud service providers with its recently launched Cloud Link service. Telehouse Cloud link is a connectivity exchange that gives its customers private, secure and low latency connections to multiple cloud service providers such as Microsoft Azure Express Route, through a direct connection in the Telehouse London Docklands campus. Telehouse customers benefit from the ability to procure and manage connections in real time through the dedicated Cloud Link online portal.

The availability of these cloud services through Telehouse, further enhances the connectivity available at the Telehouse London Docklands campus, already the most connected campus in Europe, making it the ideal environment for enterprises and service providers to build their hybrid IT solutions, and for cloud providers to host part of their infrastructure.

Telehouse North Two which opened with 2 floors of colocation space in November 2016, was recently presented with the Data Centre Energy Efficiency Project of the Year Award for 2017 by Data Centre Solutions. This award winning facility is the first multi-floor data centre in the world to feature a vertical Indirect Adiabatic and Evaporative (IAC) cooling system, delivering power usage effectiveness (PUE) of 1.16 across 6 floors of plant space. This innovative technology positions this facility as one of the greenest data centres in the world, assuring its customers that their ICT infrastructures are housed within a highly efficient and resilient data centre. The demand for North Two colocation space should see the commencement of plans for the opening of additional floors in place before the end of the next financial year.

## Principal risks and uncertainties

The continuation of service to its customers by way of power supply and cooling are the most important aspects of Telehouse's service delivery, closely followed by physical security of the site including customer areas and equipment. The status of these areas is measured continuously, 24 hours of every day, and performance reported monthly to the Board. Capacity levels for redundancy are similarly checked and reported to the Board so that early action to increase or enhance existing plant can be taken when plant capacity approaches target operating levels.

The Group has an on-going program of investment in these areas to ensure customer service remains at the highest expected levels.

The Group's net debt is financed by KDDI Corporation, the ultimate parent company and its UK registered subsidiary, KDDI Europe Limited on interest rates varying between 0.9% - 1.7% (London).

The cost of electricity represents 24% of total operating cost (2016: 26%), and this represents a significant reduction against the proportion for the year ended 31 March 2016. The lowering of this level is a result of continued carbon reduction management and cost management. However, the directors remain aware that the volatility of the energy markets has a significant impact on the profitability of the business.

This risk is continually assessed and market activity in the European energy markets is monitored. The purchasing strategy is reviewed periodically and immediately should any significant market activity occur.

The Group's financial risk management policies are set out in note 21 to the financial statements.

## Key performance indicators

The Board manages the business by reference to a number of key performance indicators. However, the principal indicators are as follows:

| | 2017 Target | Year ended 31 March 2017 | Year ended 31 March 2016 |
|---|---|---|---|
| Revenue (1) | £132m | £132m | £117m |
| Net debt (2) | £50.4m | £44.0m | £51.3m |
| Pipeline/sales forecast to year end (3) | | 6.7% | 4.5% |

(1) Revenue. As per the financial statements, Target stated as set at the start of period although a revised target is set at the six-month point for the period-end.
(2) Net debt. Short and long-term bank borrowing, group company loan less cash balances, as per consolidated cash flow statement totals.
(3) Pipeline/sales forecast. This calculation takes existing sales plus assured pipeline to calculate the expected period-end invoiced sales total.

Revenue growth was due to the increase in sales in the London Dockland campus, and Paris Magny facility, as well as growth in additional services, such as the interconnection service.

Net debt was below the target maximum level by £6.4m, due to capital expenditure being lower than plan (£7m) and increase in operating income against target (£3m). The Group's long term net debt, which is carefully planned and executed, has historically been financed by its parent company. Since January 2015, the Group's long term debt requirements have been financed by KDDI Europe Limited. The Group reports its cash activity to its parent on a monthly basis and bi-annually reports a 5 year cash forecast plan. Actual cash activity has remained in line with forecasts.

The increase in the sales pipeline is representative of increased space available for sale with the completion of the North Two facility in London. Meanwhile Telehouse continues to construct and fit out its existing facilities to ensure that its future growth opportunities are maximised.

## Results and dividends

The profit for the financial year transferred to reserves was £41.5m (2016: £43.2m). During the year dividends of £6.1m (2016: £5.7m) were paid.

## Environment

The growth in cloud, virtualisation and innovative cooling technologies are contributing towards data centre efficiency. Industry experts recommend encouraging first and foremost efficient use of IT devices, as they can turnover quickly and deliver rapid improvements. Telehouse customers benefit from housing their IT infrastructure with an efficient and resilient data centre facility that provides a portfolio of energy efficient hardware and the world's first multi-storey indirect adiabatic cooling system, designed to BREEAM Excellent standard in the new Telehouse North Two.

## CCA – Climate Change Agreement

Telehouse has remained committed to reducing its carbon footprint by following the sound carbon management strategies that have been put in place, along with implementing internal systems to monitor and reward reductions. In October 2014, Telehouse entered into a voluntary Climate Change Agreement (CCA) with the environment agency. Targets have agreed to meet set targets to increase energy efficiency year on year. Reductions are measured on a quarterly basis by the environment agency.

## Quality, Security and Environmental Management

As part of the Company's commitment to provide a market-leading service, the Group has continued to retain accreditation to the widely recognise ISO accreditation process and are certified to the following standards across the business. Jointly in London and Paris ISO 9001:2008 (Quality Management), ISO 27001:2013 (Information Security), ISO 14001:2004 (Environmental Management) and 50001:2011 (Energy Management) and individually for London, Standards BS OHSAS 18001:2007 (Occupational Health & Safety) and ISO22301:2012 (Business Continuity). In locations where an accreditation has not been achieved, the Paris operations are continuously reviewing the operational significance to ensure the business requirements are met.

To ensure the continued relevance of the organisational business standard accreditation process, Telehouse is currently working towards the transition requirements for the new ISO standards for 9001:2015 and 14001:2015 with anticipated full implementation by November 2017.

Accreditation to the Payment Card Industry Data Security Standard, PCI DSS v3.2 remains core to the Telehouse customer relationship with all locations across London and Paris fully certified, this now includes the newly constructed North Two facility.

Approved by the Board of Directors and signed on its behalf by:

K. Sakai

**Managing Director**

30 May 2017

Registered office:
Coriander Avenue
London
E14 2AA
Registered Number: 2138407

# Directors' Report

The directors present their report to the shareholders together with the audited consolidated and company statements of Telehouse International Corporation of Europe Ltd (the "Group", "Telehouse") for the year ended 31 March 2017. Telehouse International Corporation of Europe Ltd has trading branches in London, Paris and South Africa.

## Directors

The directors of the company who were in the office during the year and up to the date of signing the financial statements unless otherwise stated were:

| | |
|---|---|
| Directors | K. Sakai – Managing Director (appointed 1 April 2017) |
| | K. Ohno (appointed 1 April 2017) |
| | H. Soshi |
| | M. C. Reid (resigned 31 March 2017) |
| | R. Chesnel (resigned 31 March 2017) |
| | M. Watanabe (resigned 31 March 2017) |
| | M. Ota (resigned 31 March 2017) |

As permitted by S408 of the Companies Act 2006, the company has not presented its own Statement of Comprehensive Income in addition to the Consolidated Statement of Comprehensive Income. The parent company's (Telehouse International Corporation of Europe Ltd) profit for the financial year amounted to £41,473,000 (2016: £43,806,000).

## Employees

The Group's policy is to provide employees with regular information on matters of concern to them and to use the Information and Consultation Forum set up specifically to consult and inform, so that their views can be taken into account when decisions are taken which could affect them. It continues to be the Group's policy to give full and fair consideration to disabled persons applying for employment, having full regard to their particular aptitudes and abilities. Full and fair consideration will be given to the continuing employment and appropriate training of persons who become disabled. The Group's policy is to provide equal opportunities to its entire staff on the basis of objective criteria and personal merit.

## Political donations

The Group and Company did not make any political donations in the year (2016: £nil).

## Disclosure statements

Other than the statements made above, the directors have included all required Companies Act 2006 disclosures in the Strategic Report.

## Directors' indemnities

As permitted by the Articles of Association, the directors and executive directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force. The company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors and executive directors.

## Independent auditors

A resolution to appoint PricewaterhouseCoopers LLP as auditors of the Group will be proposed at the next Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by:

Ken Sakai

K Sakai

**Managing Director**

30 May 2017

Registered office:
Coriander Avenue
London
E14 2AA
Registered Number: 2138407

## Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

Approved by the Board of Directors and signed on its behalf by:

K. Sakai

**Managing Director**

30 May 2017

# Report on the financial statements

## Our opinion

In our opinion:

- Telehouse International Corporation of Europe Ltd's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2017 and of the group's profit and the group's and the company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## What we have audited

The financial statements, included within the Annual Report, comprise:

- the Consolidated and Company Statements of Financial Position as at 31 March 2017;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statements of Cash Flows for the year then ended;
- the Consolidated and Company Statements of Changes in Equity for the year then ended; and
- the Notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

# Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group, the company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

# Other matters on which we are required to report by exception

## Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

# Independent Auditors' Report to the Members of Telehouse International Corporation of Europe Ltd (continued)

### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the 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 financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

*This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.*

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Jonathan Ford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 May 2017

## TELEHOUSE INTERNATIONAL CORPORATION OF EUROPE LTD

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### Year ended 31 March 2017

| Note | | 31 March 2017 | 31 March 2016 |
|---|---|---|---|
| | | **Total** | **Total** |
| | | **£'000** | **£'000** |
| 2 | Revenue | 132,357 | 116,910 |
| | Cost of sales | (7,979) | (8,724) |
| | **Gross profit** | **124,378** | **108,186** |
| | Administrative expenses | (61,648) | (53,241) |
| | **Operating profit** | 62,730 | 54,945 |
| | Finance income | 53 | 71 |
| | Non-operating income | 1,293 | - |
| 3 | Finance costs | (351) | (907) |
| 9 | Share of (loss)/profit from associates | (37) | 136 |
| 4 | **PROFIT BEFORE TAX** | **63,688** | **54,245** |
| 7 | Taxation | (22,216) | (11,087) |
| | **PROFIT FOR THE FINANCIAL YEAR** | **41,472** | **43,158** |
| | **Other comprehensive income:** | | |
| | *Items that may be reclassified subsequently to profit or loss:* | | |
| | Exchange differences on translation of foreign operations | 7,355 | 6,356 |
| | **TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT** | **48,827** | **49,514** |

The notes on pages 14 to 36 form an integral part of these financial statements.

**TELEHOUSE INTERNATIONAL CORPORATION OF EUROPE LTD**

# CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

## As at 31 March 2017

| Note | | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|---|
| | | **31 March 2017 £'000** | **31 March 2016 £'000** | **31 March 2017 £'000** | **31 March 2016 £'000** |
| | **NON CURRENT ASSETS** | | | | |
| 8 | Property, plant and equipment | 395,387 | 371,574 | 395,387 | 371,574 |
| 9 | Investments in associates | 322 | 359 | 322 | 359 |
| | | 395,709 | 371,933 | 395,709 | 371,933 |
| | **CURRENT ASSETS** | | | | |
| 10 | Trade and other receivables | 90,011 | 51,030 | 90,019 | 51,034 |
| 11 | Cash and cash equivalents | 14,972 | 18,529 | 14,972 | 18,529 |
| | | 104,983 | 69,559 | 104,991 | 69,563 |
| | **TOTAL ASSETS** | **500,692** | **441,492** | **500,700** | **441,496** |
| | **EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT** | | | | |
| 12 | Share capital | 47,167 | 47,167 | 47,167 | 47,167 |
| 13 | Retained earnings | 255,513 | 220,173 | 255,513 | 220,172 |
| 13 | Revaluation reserve | 20,808 | 20,808 | 20,808 | 20,808 |
| 13 | Foreign exchange translation reserve | 9,202 | 1,847 | 9,202 | 1,847 |
| | **TOTAL EQUITY** | **332,690** | **289,995** | **332,690** | **289,994** |
| | **LIABILITIES** | | | | |
| | **NON CURRENT LIABILITIES** | | | | |
| 15 | Bank and other loans | 49,000 | 56,000 | 49,000 | 56,000 |
| 14 | Deferred income tax liabilities | 23,311 | 14,340 | 23,311 | 14,340 |
| 18 | Provisions for other liabilities and charges | 1,167 | 1,836 | 1,167 | 1,836 |
| | | 73,478 | 72,176 | 73,478 | 72,176 |
| | **CURRENT LIABILITIES** | | | | |
| 15 | Bank and other loans | 10,000 | 13,800 | 10,000 | 13,800 |
| 16 | Deferred income | 34,702 | 29,514 | 34,702 | 29,514 |
| 17 | Trade and other payables | 43,867 | 32,889 | 43,875 | 32,894 |
| 19 | Current income tax liabilities | 5,955 | 3,118 | 5,955 | 3,118 |
| | | 94,524 | 79,321 | 94,532 | 79,326 |
| | **TOTAL LIABILITIES** | **168,002** | **151,497** | **168,010** | **151,502** |
| | **TOTAL EQUITY & LIABILITIES** | **500,692** | **441,492** | **500,700** | **441,496** |

The notes on pages 14 to 36 form an integral part of these financial statements.

The financial statements on pages 10 to 36 were approved by the Board of Directors on 30 May 2017 and signed on its behalf by:

Ken Sakai

K. Sakai
**Managing Director**
**Company Registration Number: 2138407**

# CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

## Year ended 31 March 2017

| CONSOLIDATED | Share Capital | Revaluation Reserve | Foreign Exchange Translation Reserve | Retained Earnings | Total Equity |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Balance as at 1 April 2015** | **47,167** | **20,808** | **(4,509)** | **182,674** | **246,140** |
| Dividends | - | - | - | (5,660) | (5,660) |
| **Comprehensive income** | | | | | |
| Profit for the financial year | - | - | - | 43,158 | 43,158 |
| Currency translation differences | - | - | 6,356 | - | 6,356 |
| Total comprehensive income | - | - | 6,356 | 43,158 | 49,514 |
| **Balance at 31 March 2016** | **47,167** | **20,808** | **1,847** | **220,172** | **289,994** |
| Dividends | - | - | - | (6,132) | (6,132) |
| **Comprehensive income** | | | | | |
| Profit for the financial year | - | - | - | 41,472 | 41,472 |
| Currency translation differences | - | - | 7,355 | - | 7,355 |
| Total comprehensive income | - | - | 7,355 | 41,472 | 48,827 |
| **Balance at 31 March 2017** | **47,167** | **20,808** | **9,202** | **255,513** | **332,690** |

| COMPANY | Share Capital | Revaluation Reserve | Foreign Exchange Translation Reserve | Retained Earnings | Total Equity |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Balance as at 1 April 2015** | **47,167** | **20,808** | **(4,509)** | **182,026** | **245,492** |
| Dividends | - | - | - | (5,660) | (5,660) |
| **Comprehensive income** | | | | | |
| Profit for the financial year | - | - | - | 43,806 | 43,806 |
| Currency translation differences | - | - | 6,356 | - | 6,356 |
| Total comprehensive income | - | - | 6,356 | 43,806 | 50,162 |
| **Balance at 31 March 2016** | **47,167** | **20,808** | **1,847** | **220,172** | **289,994** |
| Dividends | - | - | - | (6,132) | (6,132) |
| **Comprehensive income** | | | | | |
| Profit for the financial year | - | - | - | 41,473 | 41,473 |
| Currency translation differences | - | - | 7,355 | - | 7,355 |
| Total comprehensive income | - | - | 7,355 | 41,473 | 48,828 |
| **Balance at 31 March 2017** | **47,167** | **20,808** | **9,202** | **255,513** | **332,690** |

The notes on pages 14 to 36 form an integral part of these financial statements.

# CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

Year ended 31 March 2017

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 |
| **Cash flows from operating activities** | **£'000** | **£'000** | **£'000** | **£'000** |
| Profit before tax | 63,688 | 54,245 | 63,689 | 54,891 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 12,982 | 8,821 | 12,982 | 8,821 |
| Finance costs | 351 | 907 | 351 | 907 |
| Finance income | (53) | (71) | (53) | (71) |
| Share of loss/(profit) in associates | 37 | (136) | 37 | (136) |
| Decrease in provision for reinstatement costs | (669) | (1,075) | (669) | (1,075) |
| Increase in debtors | (38,981) | (11,954) | (38,981) | (12,604) |
| Increase in creditors | 16,166 | 9,148 | 16,166 | 9,152 |
| Loss on disposal of fixed assets | - | 66 | - | 66 |
| **Cash generated from operations** | **53,521** | **59,951** | **53,521** | **59,951** |
| Interest paid | (487) | (771) | (487) | (771) |
| Income tax paid | (11,659) | (8,515) | (11,659) | (8,515) |
| Interest received | 53 | 71 | 53 | 71 |
| **Net cash generated from operating activities** | **41,428** | **50,736** | **41,428** | **50,736** |
| **Cash flows from investing activities** | | | | |
| Purchase of property, plant and equipment | (29,235) | (62,729) | (29,235) | (62,729) |
| **Net cash used in investing activities** | **(29,235)** | **(62,729)** | **(29,235)** | **(62,729)** |
| **Cash flows from financing activities** | | | | |
| Repayment of borrowings | (13,800) | (20,700) | (13,800) | (20,700) |
| Proceeds from borrowings | 3,000 | 46,000 | 3,000 | 46,000 |
| Dividends Paid | (6,132) | (5,660) | (6,132) | (5,660) |
| **Net cash (used in)/generated from financing activities** | **(16,932)** | **19,640** | **(16,932)** | **19,640** |
| Net (decrease)/increase in cash and cash equivalents | (4,739) | 7,647 | (4,739) | 7,647 |
| Cash and cash equivalents at beginning of year | 18,529 | 10,085 | 18,529 | 10,085 |
| Exchange losses on cash and bank overdrafts | 1,182 | 797 | 1,182 | 797 |
| **Cash and cash equivalents at the end of year** | **14,972** | **18,529** | **14,972** | **18,529** |

The notes on pages 14 to 36 form an integral part of these financial statements.

An analysis of change in net debt is included in note 25.

## 1. SIGNIFICANT ACCOUNTING POLICIES

**(a) General information**

Telehouse International Corporation of Europe Ltd is a private limited company limited by shares incorporated, registered and domiciled in England. The company's registered office is Coriander Avenue, London, E14 2AA.

The Group has prepared its Consolidated Financial Statements in accordance with International Financial Reporting Standards ('IFRSs') adopted by the European Union. The principal accounting policies adopted by the Group and by the Company are set out below.

**(b) Basis of preparation**

The consolidated and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRS IC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated and company financial statements have been prepared under the historical cost convention.

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's accounting policies.

**(c) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year ended 31 March 2017. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

**(d) Going concern**

The directors have, at the time of approving the consolidated and company financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

**(e) Business Combinations**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets of liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(f) Investments in associates**
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (Note 10).

The Group's share of its associates' post-acquisition profits or losses is recognised in the Statement of Comprehensive Income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in the Statement of Comprehensive Income.

**(g) Property, plant and equipment**
Property, plant and equipment is stated at cost or deemed cost, less accumulated depreciation and impairment provisions. Cost includes all expenditure that is directly attributable to the acquisition of the items. Land is shown at the lower of carrying amount and fair value, based on valuations by external independent valuers. Valuations are performed with sufficient regularity to ensure that the carrying amount of a revalued asset does not materially exceed its fair value. The directors assess the residual values and useful economic lives of the properties on an annual basis.

Increases in the carrying amount arising on revaluation of land are not recognised, on the basis that the value of the land will fluctuate and is tied to the value of the buildings. Decreases are charged to the Statement of Comprehensive Income. The directors assess the residual values and useful economic lives of the properties on an annual basis.

Reinstatement costs for offices held under operating leases in Paris have been capitalised and included within fixtures and fittings and depreciated on a straight-line basis over the lease term.

Land is not depreciated, and no depreciation has been charged to date on buildings as any charge, annually or in aggregate, would be immaterial on the basis that their residual value is in excess of their carrying value. Assets in the course of construction are carried at cost less any recognised impairment loss, and depreciation of these assets commences when they are ready for their intended use. For other assets depreciation is provided on a straight-line basis so as to write off the cost, or deemed cost, less the estimated residual value of each asset in equal instalments over its estimated useful life from the time it becomes operational, as follows:

| | |
|---|---|
| Fixtures and fittings | 5 to 10 years |
| Plant and machinery | 7 to 50 years |
| Office equipment | 3 to 5 years |

All tangible fixed assets are reviewed for impairment in accordance with IAS 36 'Impairment of Assets' when there are indications that the carrying value may not be recoverable.

The directors consider that the Group's most significant and critical accounting policy relates to property, plant and equipment. As described above, there are several areas of management judgment and estimate that are inherent in the application of the Group's policies – external valuations, residual value determination, assessment of useful economic lives, impairment considerations and treatment of borrowing costs.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(h) Investments**
Investments in subsidiaries are stated at cost, less a provision for any impairment in value.

**(i) Taxation**
The tax expense represents the sum of the tax currently payable and deferred tax.

*Current tax*
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

*Deferred tax*
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**(j) Foreign currencies**
Transactions denominated in foreign currencies are translated at the exchange rate on the date of the transaction.
At each period end date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the period end date. All differences are taken to the Statement of Comprehensive Income for the period.

The financial statements of foreign branches and subsidiaries have been translated into Pounds Sterling according to the functional currency concept of IAS 21 'The Effects of Changes in Foreign Exchange Rates'. Since the majority of foreign branches and subsidiaries operate as independent entities within their local economic environment, their respective local currency is the functional currency. Therefore assets and liabilities of overseas branches and subsidiaries denominated in foreign currencies are translated at exchange rates prevailing at the date of the Company Statement of Financial Position; profits and losses are translated into Pounds Sterling at average exchange rates for the relevant accounting periods. Exchange differences arising, if any, are classified as equity and transferred to the Company's translation reserve.

**(k) Leases**
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lease. All other leases are classified as operating leases. Rentals paid under operating leases (those leases where a significant portion of the risks and rewards of ownership are retained by the lessor) are charged to the Statement of Comprehensive Income on a straight line basis over the terms of the lease.

**(l) Revenue**
Revenue represents income received from rent, fitting out work, facilities management, power and cable installations and other value added services attributable to the Group's principal activities net of value added tax. Revenue is credited to the Statement of Comprehensive Income in respect to the period in which the service is provided. Deferred income represents amounts invoiced to customers in advance in respect of future periods.

**(m) Pension costs**
The Company makes defined contributions to the Group personal pension plan for all UK employees, who have completed three months service. The Company has no further payment obligations once the contributions have been made. These payments are recognised as an expense as they fall due. Staff employed overseas are covered through state administered schemes, to which the Group contributes through employer contributions.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(n) Borrowing costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

**(o) Recent accounting developments**

New standards and interpretations issued but not effective for the financial year beginning 1 April 2016 and not early adopted:

IFRS 9 'Financial Instruments' was published in July 2014 and will become effective for annual periods beginning on or after 1 January 2018.This standard replaces the guidance in IAS 39 and includes requirements on the classification and measurement of financial assets and liabilities. It also includes an expected credit losses model that replaces the current incurred loss impairment model. The Company is evaluating the impact of adopting this new standard on its consolidated financial statements.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which establishes a single comprehensive model of accounting for revenue arising from contracts with customers that an entity will apply to determine the measurement of revenue and timing of when it is recognized. IFRS 15 supersedes current revenue recognition guidance, which is found currently across several standards and interpretations including IAS 11, Construction Contracts and IAS 18, Revenue. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods and services to customers in an amount that reflects the amount an entity expects to be entitled in exchange for those goods and services. The new standard will also result in enhanced disclosures about revenue that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This amendment is applicable for annual periods beginning on or after January 1, 2018. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

IFRS 16, 'Leases' was published in January 2016 and will be effective for annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15 is also applied. This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting for lessees in particular. It requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use' for virtually all lease contracts. An optional exemption is included for certain short term leases and low value assets; however this can only be applied by lessees. For lessors the accounting stays almost the same, however as the IASB has updated guidance on the definition of a lease, lessors will also be affected by the new standard. Under the new standard a contract is, or contains, a lease if the contract conveys the right to control the use of an asset for a period of time in exchange for consideration. The Company is evaluating the impact of adopting this new standard on its consolidated financial statements.

IFRS IC 22, 'Foreign currency transactions and advance consideration' was published in December 2016 and will be effective for annual periods beginning on or after 1 January 2018. The interpretation addresses foreign currency transactions or parts of consideration that is denominated or priced in a foreign currency. Guidance is provided for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The aim is to reduce diversity in practice. The Company is evaluating the impact of adopting this interpretation on its consolidated financial statements.

There are no other IFRSs or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Group, nor have we early adopted any new standards.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(p) Cash and cash equivalents**
Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, and bank overdrafts. For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(q) 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. Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

**(r) Financial instruments**

**(a) Financial assets**

**Classification**

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' on the Statement of Financial Position.

**Recognition and measurement**

Financial assets are recognised on the trade-date being the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

**Impairment of financial assets**

*Assets carried at amortised cost*
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables category, the amount of the loss is measured as 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. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Statement of Comprehensive Income.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(b) Financial liabilities**

**Classification**

The Group classifies its financial liabilities in the following categories: as other financial liabilities measured at amortised cost. Management determines the classification of its financial liabilities at the initial recognition.

The Group's other financial liabilities measured at amortised cost comprise 'trade and other payables' and 'borrowings' in the Statement of Financial Position.

**Recognition and measurement**

*Trade payables*
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers or vendors. Accounts payable 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 fair value and subsequently measured at amortised cost using the effective interest method.

*Borrowings*
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method. Finance charges are accounted for on an accruals basis and charged to the Statement of Comprehensive Income using the effective interest rate method.

Borrowings are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

*Financial liabilities and equity*
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

*Equity instruments*
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**De-recognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

**(s) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

**(t) Critical accounting estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances.

Actual results in the future may differ from estimates upon which financial information has been prepared. These underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if these are also affected. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**a. Property, Plant and Equipment**

The estimated useful economic lives of PPE are based on management's judgement and experience. When management identifies that actual useful economic lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Valuation of property is carried out by third party experts on a regular periodic basis to confirm whether there has been any impairment, and to provide reassurance that carrying amounts in the Statement of Financial Position are reasonable. Due to the significance of PPE investment to the company, variations between actual and estimated useful economic lives could impact operating results both positively and negatively, although historically few changes to estimated useful economic lives have been required.

**b. Recognition of deferred tax liabilities**

The recognition of deferred tax liabilities is based upon the likelihood of tax payments being made in future periods, relating to investment already completed by the end of the year for which the financial statements have been issued.

**c. Revenue recognition and allowance for doubtful receivables**

The Company recognises revenue generally at the time of delivery and when collection of the resulting receivable is reasonably assured. When the Company considers that the criteria for revenue recognition are not met for a transaction, revenue recognition is delayed until such time as collectability is reasonably assured. Payments received in advance of revenue recognition are recorded as deferred income.

At each reporting date, the Company evaluates the recoverability of trade receivables and records an allowance for doubtful receivables based on experience. This allowance is based on, amongst other things, a consideration of actual collection history. The actual level of receivables collected may differ from the estimated levels of recovery, which could impact future operating results positively or negatively.

## 2. SEGMENTAL INFORMATION

Telehouse has one main trade being that of operating data centres, including colocation and related services. Telehouse operates in two main countries at present, being UK and France. Management has determined the operating segments based on the internal reporting and information presented to and reviewed by the Board (the chief operating decision-maker) on which strategic decisions are based, resources are allocated and performance is assessed. All revenue and expense relates to continuing operations.

| | Year ended 31 March 2017 | | | |
|---|---|---|---|---|
| | **UK** | **FRANCE** | **OTHER** | **TOTAL** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Revenue | 96,885 | 35,444 | 28 | **132,357** |
| Operating profit/(loss) | 52,556 | 10,209 | (35) | **62,730** |
| Assets | 407,381 | 93,154 | 157 | **500,692** |
| Liabilities | 160,046 | 7,947 | 9 | **168,002** |
| Capital expenditure | 27,942 | 2,541 | - | **30,483** |
| Depreciation | 7,339 | 5,643 | - | **12,982** |
| Finance income | 39 | 14 | - | **53** |
| Finance costs | 350 | 1 | - | **351** |
| Taxation | 18,766 | 3,450 | - | **22,216** |

| | Year ended 31 March 2016 | | | |
|---|---|---|---|---|
| | **UK** | **FRANCE** | **OTHER** | **TOTAL** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Revenue | 86,633 | 29,964 | 313 | **116,910** |
| Operating profit/(loss) | 45,133 | 10,412 | (600) | **54,945** |
| Assets | 353,563 | 87,900 | 29 | **441,492** |
| Liabilities | 135,795 | 15,818 | (116) | **151,497** |
| Capital expenditure | 61,366 | 1,363 | - | **62,729** |
| Depreciation | 6,522 | 2,299 | - | **8,821** |
| Finance income | 63 | 8 | - | **71** |
| Finance costs | 904 | 1 | 2 | **907** |
| Taxation | 8,511 | 2,516 | 60 | **11,087** |

## 3. FINANCE COSTS

| | Year ended 31 March 2017 | Year ended 31 March 2016 |
|---|---|---|
| | £'000 | £'000 |
| Interest payable on parent and other group company loans | 350 | 768 |
| Interest payable on bank loans and overdraft | 1 | 139 |
| **Finance costs** | **351** | **907** |

## 4. PROFIT BEFORE TAX

| Profit before tax is stated after charging: | Year ended 31 March 2017 | Year ended 31 March 2016 |
|---|---|---|
| | £'000 | £'000 |
| Rentals under operating leases: | | |
| Land and buildings | 997 | 1,143 |
| Other assets | 58 | 52 |
| Depreciation (Note 8) | 12,982 | 8,821 |
| Profit on foreign exchange | (421) | (53) |
| Staff costs (Note 5) | 14,002 | 13,096 |
| Loss on disposal of fixed assets | - | 66 |

**Fees paid to auditors**

During the year the Group (including its overseas branches and subsidiaries) obtained the following services from the Company's auditors and its associates:

| | Year ended 31 March 2017 | Year ended 31 March 2016 |
|---|---|---|
| | £'000 | £'000 |
| Fees payable to Company's auditors and its associates for the audit of parent company and consolidated financial statements | 125 | 122 |
| Fees payable to Company's auditors and its associates for other services: | | |
| - The audit of Company's subsidiaries | 10 | 10 |
| | **135** | **132** |

## 5. EMPLOYEES

| | Year ended 31 March 2017 | Year ended 31 March 2016 |
|---|---|---|
| | **Number** | **Number** |
| The average monthly number of persons (including executive directors) employed by the Group during the year was: | | |
| Office and management | 46 | 46 |
| Facilities | 32 | 31 |
| Engineering and operations | 86 | 81 |
| Sales and marketing | 36 | 37 |
| | **200** | **195** |

| | | |
|---|---|---|
| **STAFF COSTS** | **£'000** | **£'000** |
| Wages and salaries | 10,771 | 10,332 |
| Social security costs | 2,813 | 2,385 |
| Other pension costs | 418 | 379 |
| | **14,002** | **13,096** |

The Company contributed £417,907 (2016: £379,229) to a UK Group Personal Pension Scheme on behalf of its UK employees who have completed more than three months' service.

## 6. DIRECTORS' REMUNERATION

| | Year ended 31 March 2017 £'000 | Year ended 31 March 2016 £'000 |
|---|---|---|
| In respect of directors of Telehouse International Corporation of Europe Ltd: | | |
| Aggregate emoluments | 401 | 457 |
| Contributions to group personal pension schemes | 13 | 21 |
| | **414** | **478** |
| Highest paid director: | | |
| Wages and salaries | 232 | 228 |
| Contributions to group personal pension scheme | 13 | 13 |
| | **Number** | **Number** |
| Number of current directors for whom benefits are accruing under group personal pension scheme | 1 | 1 |

The directors' remuneration has been disclosed based on actual remuneration paid during the year. Under the provisions of the Telehouse director bonus scheme, there are provisions in these financial statements for a final bonus in respect of 2016, which is due to be paid in June 2017. Included within that provision are amounts in respect of directors' bonus entitlement of £86,736 (2016: £96,667).

## 7. TAXATION

| | Year ended 31 March 2017 £'000 | Year ended 31 March 2016 £'000 |
|---|---|---|
| **Current tax** | | |
| Corporation tax | 13,577 | 9,946 |
| Adjustments in respect of prior years | (332) | (487) |
| Total current tax charge | 13,245 | 9,459 |
| **Deferred tax** – note 14 | | |
| Charge for year | 8,971 | 1,628 |
| **Charge for the year** | **22,216** | **11,087** |
| | | |
| **Reconciliation of current tax charge** | | |
| Profit before tax | 63,688 | 54,245 |
| | | |
| Profit before taxation multiplied by standard rate of UK Corporation tax of 20.00% (2016: 20.00%). | 12,738 | 10,849 |
| | | |
| Effects of: | | |
| | | |
| Non-deductible expenses | (573) | (1,423) |
| Other non taxable items | (130) | (171) |
| Short term timing differences | 126 | 178 |
| Higher tax on non UK profits | 1,416 | 529 |
| Timing differences for tax arising on capital assets | 8,971 | 1,628 |
| Adjustment in respect of prior years | (332) | (487) |
| Group relief | - | (16) |
| | 9,478 | 238 |
| Total taxation charge for the year | **22,216** | **11,087** |

The year-end deferred tax liabilities have been measured at the latest substantively enacted tax rate effective from 1 April 2017 of 19% as it is anticipated that they will be paid at this rate before any future period enacted tax rates detailed below come into effect.

On 8 March 2017, the Chancellor of the Exchequer confirmed future tax rate changes in the UK. The main rate of corporation tax has reduced from 20% to 19% from 1 April 2017 and is to remain at this level for the financial years beginning 1 April 2018 and 1 April 2019. For the financial year beginning 1 April 2020 the main rate of corporation tax will be reduced by a further 2% to 17%.

## 8. PROPERTY, PLANT AND EQUIPMENT (CONSOLIDATED AND COMPANY)

| | Assets under construction | Freehold land | Freehold buildings | Fixtures & fittings | Plant & machinery | Office equipment | TOTAL |
|---|---|---|---|---|---|---|---|
| **Cost** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| At 1 April 2015 | - | **40,375** | **175,094** | **110,367** | **94,010** | **14,578** | **434,424** |
| Additions | 53,934 | - | - | 3,062 | 4,692 | 1,041 | 62,729 |
| Disposals | - | - | - | (18) | (426) | (308) | (752) |
| Reclassification | 25,013 | - | (25,013) | - | - | - | - |
| Currency realignment | - | 294 | 1,361 | 5,723 | 1,536 | 305 | 9,219 |
| **At 1 April 2016** | **78,947** | **40,669** | **151,442** | **119,134** | **99,812** | **15,616** | **505,620** |
| Additions | 20,855 | - | 236 | 3,697 | 4,281 | 1,414 | 30,483 |
| Transfers | (99,802) | - | 60,416 | 11,735 | 27,651 | - | - |
| Currency realignment | - | 332 | 1,536 | 6824 | 1,738 | 327 | 10,757 |
| **At 31 March 2017** | **-** | **41,001** | **213,630** | **141,390** | **133,482** | **17,357** | **546,860** |
| **Accumulated depreciation** | | | | | | | |
| At 1 April 2015 | **-** | **-** | **2,714** | **62,612** | **45,852** | **10,935** | **122,113** |
| Charge for the period | - | - | - | 2,193 | 5,293 | 1,335 | 8,821 |
| Disposals | - | - | - | (16) | (384) | (285) | (685) |
| Currency realignment | - | - | 46 | 2,634 | 941 | 176 | 3,797 |
| **At 1 April 2016** | **-** | **-** | **2,760** | **67,423** | **51,702** | **12,161** | **134,046** |
| Charge for the year | - | - | - | 5,018 | 6,341 | 1,623 | 12,982 |
| Currency realignment | - | - | 51 | 3,079 | 1,108 | 207 | 4,445 |
| **At 31 March 2017** | **-** | **-** | **2,811** | **75,520** | **59,151** | **13,991** | **151,473** |
| **Net book value** | | | | | | | |
| **At 31 March 2017** | **-** | **41,001** | **210,819** | **65,870** | **74,331** | **3,366** | **395,387** |
| **At 31 March 2016** | **78,947** | **40,669** | **148,682** | **51,711** | **48,110** | **3,455** | **371,574** |
| **Cost of assets fully depreciated** | | | | | | | |
| At 31 March 2017 | - | - | 3,447 | 48,196 | 23,937 | 10,077 | 85,657 |
| At 31 March 2016 | - | - | 3,395 | 40,510 | 14,389 | 8,770 | 67,064 |

Included within the cost of fixtures and fittings are provisions for the reinstatement for costs of £1.17m (2016: £1.84m).

## 9. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

**Group associates**

The Group's share of the profit and loss of its associate, which is unlisted, and its aggregated assets (including goodwill) and liabilities are as follows:

| Name | Country of incorporation | Assets | Liabilities | Revenues | Loss | % Interest held |
|---|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 | % |
| **2017** | | | | | | |
| Funeven Limited | England & Wales | 3,369 | 756 | 317 | 37 | 32.75 |

Investments in group undertakings are stated at cost less amounts written off. As permitted by section 133 of the Companies Act 2006, where the relief afforded under section 131 of the Companies Act 2006 applies, cost is the aggregate of the nominal value of the relevant number of the Company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings.

The share of loss from associates of £37k, reflects the Group's adjusted share of profits accrued by Funeven Limited.

**Company subsidiaries**

The Company held 100% of the Ordinary share capital of Telehouse Management Limited, a building management company, registered in England and Wales. The result for the year before and after tax for 2017 was £nil (2016: loss of £646k). Shareholders' funds (£100) and net assets at the year-end was £2k (2016: £2k).

The Company also held 100% of the Ordinary share capital (£3) of Telehouse Ireland Limited, a dormant company registered in Ireland.

## 10. TRADE AND OTHER RECEIVABLES

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 |
| | £'000 | £'000 | £'000 | £'000 |
| Trade receivables | 32,450 | 18,231 | 32,450 | 18,231 |
| Amounts owed by related parties | 51,815 | 27,375 | 51,825 | 27,381 |
| Prepayments | 3,256 | 3,284 | 3,254 | 3,282 |
| Accrued income | 2,490 | 2,140 | 2,490 | 2,140 |
| **Total trade and other receivables** | **90,011** | **51,030** | **90,019** | **51,034** |

Amounts owed by related parties are interest free and repayable on demand.

## 11. CASH AND CASH EQUIVALENTS

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **31 March 2017** | **31 March 2016** | **31 March 2017** | **31 March 2016** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Short term bank deposits | 1,006 | 10,296 | 1,006 | 10,296 |
| Cash at bank and in hand | 13,966 | 9,077 | 13,966 | 9,077 |
| Bank overdrafts | - | (844) | - | (844) |
| **Total cash and cash equivalents** | **14,972** | **18,529** | **14,972** | **18,529** |

The effective interest rate on short term deposits were 0.42% (2016: 0.57%) and these deposits have an average maturity of 30 days (2016: 30 days).

The cash pooling arrangement through KDDI Europe Limited means that bank overdrafts held with external banks are no longer used as part of the Group's day to day cash management tools.

## 12. SHARE CAPITAL (CONSOLIDATED AND COMPANY)

| | **31 March 2017 £'000** | **31 March 2016 £'000** |
|---|---|---|
| **AUTHORISED:** | | |
| 60,000,000 (2016: 60,000,000) ordinary shares of £1 each | 60,000 | 60,000 |
| **ALLOTTED AND FULLY PAID** | | |
| 47,167,348 (2016: 47,167,348) ordinary shares of £1 each | 47,167 | 47,167 |

## 13. RESERVES

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 |
| | £'000 | £'000 | £'000 | £'000 |
| **Retained earnings** | | | | |
| At 1 April 2016 | 220,173 | 182,675 | 220,172 | 182,026 |
| Profit on ordinary activities for the year | 41,472 | 43,158 | 41,473 | 43,806 |
| Dividends | (6,132) | (5,660) | (6,132) | (5,660) |
| At 31 March 2017 | 255,513 | 220,173 | 255,513 | 220,172 |
| **Revaluation reserve** | 20,808 | 20,808 | 20,808 | 20,808 |
| **Foreign exchange translation reserve** | | | | |
| At 1 April 2016 | 1,847 | (4,509) | 1,847 | (4,509) |
| Translation adjustment on foreign held net assets | 7,355 | 6,356 | 7,355 | 6,356 |
| At 31 March 2017 | 9,202 | 1,847 | 9,202 | 1,847 |
| **Total reserves** | **285,523** | **242,828** | **285,523** | **242,827** |

Dividends of £6,131,755 were paid in October 2016 to the Company's shareholders in respect of the year ended 31 March 2016.

## 14. DEFERRED INCOME TAX LIABILITIES

The gross movement on the deferred income tax account is as follows:

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 31 March 2017 £'000 | 31 March 2016 £'000 | 31 March 2017 £'000 | 31 March 2016 £'000 |
| Beginning of the year | 14,340 | 12,712 | 14,340 | 12,712 |
| Statement of Comprehensive Income charge | 8,971 | 1,628 | 8,971 | 1,628 |
| **End of year** | **23,311** | **14,340** | **23,311** | **14,340** |

The movement in deferred tax liabilities is as follows:

| | Accelerated tax depreciation £'000 | Short term timing differences £'000 | Revaluation of land £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 April 2016 | 8,372 | 1,695 | 4,273 | 14,340 |
| Charged to the Statement of Comprehensive Income | 10,927 | (1,956) | - | 8,971 |
| **At 31 March 2017** | **19,299** | **(261)** | **4,273** | **23,311** |

## 15. BANK AND OTHER LOANS

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 |
| **Current** | £'000 | £'000 | £'000 | £'000 |
| Loans owed to the ultimate Parent Company | 10,000 | 13,800 | 10,000 | 13,800 |
| | **10,000** | **13,800** | **10,000** | **13,800** |
| **Non-Current** | | | | |
| Loans owed to other group companies | 49,000 | 56,000 | 49,000 | 56,000 |
| | **49,000** | **56,000** | **49,000** | **56,000** |
| **Total borrowings** | **59,000** | **69,800** | **59,000** | **69,800** |

The Company net debt is financed by KDDI Corporation, the ultimate parent company, and by KDDI Europe Limited, a UK registered subsidiary, via the European cash pooling agreement, on interest rates varying between 0.9 - 1.7% (London). All long term loans are unsecured and due for repayment by October 2021.

## 16. DEFERRED INCOME

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 31 March 2017 £'000 | 31 March 2016 £'000 | 31 March 2017 £'000 | 31 March 2016 £'000 |
| Advance billing for service provision | 34,702 | 29,514 | 34,702 | 29,514 |

## 17. TRADE AND OTHER PAYABLES

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 31 March 2017 £'000 | 31 March 2016 £'000 | 31 March 2017 £'000 | 31 March 2016 £'000 |
| Trade creditors | 4,436 | 6,321 | 4,436 | 6,321 |
| Customer security deposits | 5,839 | 6,261 | 5,839 | 6,261 |
| Other tax and social security | 6,868 | 2,801 | 6,868 | 2,801 |
| Amounts owed to related parties | 14,633 | 5,780 | 14,637 | 5,783 |
| Accruals | 12,091 | 11,137 | 12,095 | 11,142 |
| Other creditors | - | 589 | - | 586 |
| **Total trade and other payables** | **43,867** | **32,889** | **43,875** | **32,894** |

## 18. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

| | Reinstatement costs £'000 | Total £'000 |
|---|---|---|
| At 1 April 2016 | **1,836** | **1,836** |
| Credited to the Statement of Comprehensive Income | (669) | (669) |
| At 31 March 2017 | **1,167** | **1,167** |

The Company currently rents office buildings under operating leases at sites in London and Paris. A provision is recognised for the costs expected to be incurred for the reinstatement of these offices to their original state at the termination of the lease term. The provision for London was released during the year as the liability no longer exists.

## 19. CURRENT INCOME TAX LIABILITIES

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 31 March 2017 £'000 | 31 March 2016 £'000 | 31 March 2017 £'000 | 31 March 2016 £'000 |
| Corporation tax | 5,955 | 3,118 | 5,955 | 3,118 |

## 20. COMMITMENTS UNDER OPERATING LEASES

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | CONSOLIDATED AND COMPANY | | | |
|---|---|---|---|---|
| | 31 March 2017 | | 31 March 2016 | |
| | £'000 | £'000 | £'000 | £'000 |
| | Land and buildings | Other assets | Land and buildings | Other Assets |
| No later than one year | 855 | 39 | 1,142 | 37 |
| Later than one year and no later than five years | 2,824 | 18 | 3,164 | 43 |
| Later than five years | 484 | - | 759 | - |
| | 4,163 | 57 | 5,065 | 80 |

## 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Financial instruments

The Group's principal financial instruments during the year comprised parent and other group company loans, cash on short term deposits, trade debtors and trade creditors, arising directly from normal operations. There is no material difference between the book value and fair value of these instruments. The parent and other group company loans are due to be repaid in instalments between 2017 and 2021.

The Company and Group's activities and current position do not expose it to significant financial risks; however the directors review and agree policies for maintaining and managing such risks on an on-going basis.

### Categories of financial instruments

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 31 March 2017 £'000 | 31 March 2016 £'000 | 31 March 2017 £'000 | 31 March 2016 £'000 |
| **Financial assets** | | | | |
| Loans and receivables | | | | |
| - Cash and cash equivalents | 14,972 | 18,529 | 14,972 | 18,529 |
| - Trade and other receivables | 84,265 | 45,606 | 84,275 | 45,612 |
| **Financial liabilities** | | | | |
| Amortised cost | | | | |
| Borrowings | 59,000 | 69,800 | 59,000 | 69,800 |
| Trade and other payables | 31,776 | 21,752 | 31,780 | 21,757 |

## 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives

**Interest rates**
The Group funds its expansion mainly with parent and other group company loans provided at average interest rates between 0.9% and 1.7%. The remaining funding requirements are also covered by Group funding through short term loans with no fixed term. The Group does not have any interest rate swap deals in place at the year end.

**Foreign currency**
The Group does not have significant exposure to currency rate fluctuations, as each business unit operates in local currency. Translation of overseas assets does give rise to exchange rate movements but these are usually moderate and do not materially affect the Group's liquidity or operating capacity and as such the directors do not consider this to be a material commercial risk. It is not the Group's policy to enter into any hedging transactions.

**Credit risk**
A robust credit control policy is in place which is designed to minimise the risk of bad debt. Customers are vetted financially before being accepted and constantly monitored thereafter. Deposits are taken from the majority of customers for amounts equal to between 6 weeks and 6 months forward service. The Group also operates a strict denial of access policy for all customers who have not settled their account within 21 days of amounts falling due. As a consequence of these policies, the Group have suffered very minimal losses from bad debts. The average creditor payment days at year end for the group were 23 days (2016: 37 days) from invoice date.

| | **CONSOLIDATED** | | **COMPANY** | |
|---|---|---|---|---|
| | **31 March 2017 £'000** | **31 March 2016 £'000** | **31 March 2017 £'000** | **31 March 2016 £'000** |
| **Cash and cash equivalents – Standard & Poor's credit ratings Long term Rating** | | | | |
| A+ | 434 | 475 | 434 | 475 |
| A | 4,870 | 3,365 | 4,870 | 3,365 |
| A- | 9,668 | 14,689 | 9,668 | 14,689 |
| | **14,972** | **18,529** | **14,972** | **18,529** |

**Liquidity risk**
Liquidity risk is the risk that necessary sources of funding for the Company's business activities may not be available. The Company is able to utilise shareholders' funds to support its capital requirements.

The Group's financial assets consist of loans and receivables (cash and cash equivalents and trade and other receivables) which have a maturity of less than 3 months and available-for-sale assets (investments).

A maturity analysis of borrowings is presented in note 15. The Group's other financial liabilities consist of trade and other payables which have a maturity of less than 3 months.

## 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

**Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the Consolidated Statement of Financial Position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Statement of Financial Position plus net debt.

The gearing ratios at 31 March 2017 and 31 March 2016 were as follows:

| | 31 March 2017 £'000 | 31 March 2016 £'000 |
|---|---|---|
| Total borrowings (Note 15) | 59,000 | 69,800 |
| Less: cash and cash equivalents (Note 11) | (14,972) | (18,529) |
| Net debt | 44,028 | 51,271 |
| Total equity | 332,690 | 289,995 |
| **Total capital** | **376,718** | **341,266** |
| **Gearing ratio** | **12%** | **15%** |

The decrease in the gearing ratio during the year resulted primarily from the repayment of loans (Note 15), and a corresponding increase in equity.

## 22. CAPITAL COMMITMENTS

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 31 March 2017 £'000 | 31 March 2016 £'000 | 31 March 2017 £'000 | 31 March 2016 £'000 |
| Contracted for, but not provided, in these financial statements | 1,946 | 24,344 | 1,946 | 24,344 |

The above figures represent capital expenditure commitments contracted for at the Statement of Financial Position date but not yet incurred.

## 23. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent company is Telehouse Holdings Limited, a company incorporated in the United Kingdom, which holds 92.14% of the company's share capital. A copy of the consolidated financial statements of Telehouse Holdings Limited can be obtained from: Telehouse Holdings Limited, Coriander Avenue, London, E14 2AA.

The parent undertaking of both the smallest and largest group undertakings for which consolidated financial statements are drawn up and publically available is KDDI Corporation, a company incorporated in Japan. A copy of the consolidated financial statements of KDDI Corporation can be obtained from: KDDI Corporation, 2-3-2, Nishi-Shinjuku, Shinjuku-ku, Tokyo, Japan. http://www.kddi.com

## 24. RELATED PARTY DISCLOSURES

As detailed in note 23 the group is controlled by KDDI Corporation. Other related parties consist of companies also under the ultimate control of KDDI Corporation.

The following transactions were carried out with related parties.

**(a) Sales of services:**

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | Year ended 31 March 2017 £'000 | Year ended 31 March 2016 £'000 | Year ended 31 March 2017 £'000 | Year ended 31 March 2016 £'000 |
| - the ultimate parent | 119 | 87 | 119 | 87 |
| - other related parties | 12,461 | 9,100 | 12,461 | 9,100 |
| **Total** | **12,580** | **9,187** | **12,580** | **9,187** |

Services are provided based on the price lists in force and terms that would be available to third parties.

## 24. RELATED PARTY DISCLOSURES (CONTINUED)

**(b) Purchase of services:**

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | Year ended 31 March 2017 £'000 | Year ended 31 March 2016 £'000 | Year ended 31 March 2017 £'000 | Year ended 31 March 2016 £'000 |
| - the ultimate parent | - | (5) | - | (5) |
| - other related parties | 52 | 45 | 52 | 45 |
| **Total** | **52** | **40** | **52** | **40** |

**(c) Key management compensation:**

In addition to directors remuneration as detailed in note 6 certain amounts were paid to non-director key management. Total key management compensation (including directors) was:

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | Year ended 31 March 2017 £'000 | Year ended 31 March 2016 £'000 | Year ended 31 March 2017 £'000 | year ended 31 March 2016 £'000 |
| Salaries and short term employee benefits | 1,000 | 823 | 1,000 | 823 |
| **Total compensation** | **1,000** | **823** | **1,000** | **823** |

The key management compensation has been disclosed based on actual remuneration paid during the year. Under the provisions of the Telehouse staff bonus scheme, there are provisions in these financial statements for a final bonus in respect of 2016, which is due to be paid by June 2017. Included within that provision are amounts in respect of key management compensation entitlement of £149,364 (2016: £200,000).

**(d) Year end balances arising from sales/purchases of services:**

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 31 March 2017 £'000 | 31 March 2016 £'000 | 31 March 2017 £'000 | 31 March 2016 £'000 |
| Receivables from ultimate parent | 17 | 77 | 17 | 77 |
| Receivables from other related parties | 51,798 | 27,298 | 51,808 | 27,304 |
| **Total receivables from related parties** | **51,815** | **27,375** | **51,825** | **27,381** |
| | | | | |
| Payables to ultimate parent | 25 | 180 | 25 | 180 |
| Payables to other related parties | 14,608 | 5,600 | 14,612 | 5,603 |
| **Total payables to related parties** | **14,633** | **5,780** | **14,637** | **5,783** |

Receivables from related parties are payable on demand according to Group cash management requirements. The receivables are unsecured and bear no interest.

## 24. RELATED PARTY DISCLOSURES (CONTINUED)

**(e) Loans from related parties:**
Included within bank and other loans are loans from the ultimate parent undertaking KDDI Corporation and its subsidiary KDDI Europe Limited as follows:

| | CONSOLIDATED AND COMPANY | |
|---|---|---|
| | 31 March 2017 £'000 | 31 March 2016 £'000 |
| Beginning of year | 69,800 | 44,500 |
| Loan repayments | (13,800) | (20,700) |
| Loans advanced during the year | 3,000 | 46,000 |
| **End of year** | **59,000** | **69,800** |

The loans from related parties carry interest at average rate of 1.36% (2016: 2.22%). These are unsecured and repayable by October 2021.

## 25. ANALYSIS OF CHANGES IN NET DEBT

| | CONSOLIDATED AND COMPANY | | | |
|---|---|---|---|---|
| | 31 March 2016 | Cash flows | Currency exchange adjustment | 31 March 2017 |
| | £'000 | £'000 | £'000 | £'000 |
| Bank overdrafts (Note 11) | (844) | 844 | - | - |
| Cash at bank and in hand (Note 11) | 9,077 | 4,889 | - | 13,966 |
| Short and long term deposits (Note 11) | 10,296 | (10,472) | 1,182 | 1,006 |
| | 18,529 | (4,739) | 1,182 | 14,972 |
| Debt due within one year (Note 15) | (13,800) | 3,800 | - | (10,000) |
| Debt due in more than one year (Note 15) | (56,000) | 7,000 | - | (49,000) |
| | (69,800) | 10,800 | - | (59,000) |
| **Total** | **(51,271)** | **6,061** | **1,182** | **(44,028)** |

## 26. EVENTS AFTER THE REPORTING PERIOD

There were no significant events that occurred after the reporting date.