TELEHOUSE INTERNATIONAL CORPORATION OF EUROPE LTD

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ANNUAL REPORT

For the 15 month period ended 31 March 2015

Company registration number: 2138407

TELEHOUSE INTERNATIONAL CORPORATION OF EUROPE LTD

ANNUAL REPORT

for the 15 month period ended 31 March 2015

CONTENTS

TELEHOUSE INTERNATIONAL CORPORATION OF EUROPE LTD

OFFICERS AND PROFESSIONAL ADVISERS

Executive Directors	H. Soshi – Managing Director A. Fray M. C. Reid R. Chesnel T. Sugiyama M. Watanabe
Registered office	Coriander Avenue London E14 2AA
Registered number	2138407
Bankers	Barclays Bank PLC Mizuho Corporate Bank Limited Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ Limited
Solicitors	Eversheds LLP 1 Wood Street London EC2V 7WS
Independent Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

The directors submit their annual report and the audited consolidated financial statements of Telehouse International Corporation of Europe Ltd ("Telehouse", "the group") for the period ended 31 March 2015.

Telehouse International Corporation of Europe Ltd has trading branches in Paris and South Africa.

STRATEGIC REPORT

Principal activities and strategy

Telehouse is the pioneering data centre colocation provider established in 1989. It is an owner operator of Tier III data centres, connectivity and managed ICT solutions to over 2000 corporations around the world. Telehouse is the data centre subsidiary of Japanese corporation KDDI, a leading Japanese telecommunications and ICT solution provider with 103 offices in 28 countries around the world and a Global Fortune 300 company.

While Telehouse has a global brand, this report relates specifically to Telehouse International Corporation of Europe Ltd, a company incorporated and domiciled in the United Kingdom. The group's principal activity is to provide customised data centre services from its own secure facilities, servicing a wide range of corporate customers with IT requirements.

Telehouse International Corporation of Europe Ltd has operations in both the UK and France. The company has a strong presence in London and Paris through its partnerships with the London Internet Exchange (LINX) and the French Internet Exchange (France-IX) respectively. These connectivity hubs act as a key point of differentiation which has created a robust position in both markets and high barriers to entry for competitors.

Telehouse as a global brand has replicated this success and is one of only two global carrier-neutral data centre providers that can access more than 60% of global GDP through its network of 46 data centres (this includes the 8 data centres that belong to Telehouse International Corporation of Europe Ltd).

Telehouse International Corporation of Europe Ltd can leverage Telehouse Global operations in their strategy by collaborating and cross selling into the world's most connected data centres at different locations to meet the needs of global customers. Clients benefit from a combination of low latency and high proximity to global consumers enabling them to deepen market penetration and expand quickly into new markets.

Business Review

The group financial statements for the period under review have been prepared under International Financial Reporting Standards that are applicable in the EU.

Telehouse delivered profit before tax of £61.7m in the 15 month period ended 31 March 2015; this equates to a 13.0% increase on the 12 month period to December 2014 from £43.9m to £49.7m and an increase of 15.0% on the comparable 3 month period January to March 2015 from £10.4m to £12.0m. This profit has been achieved by a good revenue performance and careful cost management. The sales results for the period were consistent over the 15 month period, with Telehouse achieving a revenue increase of 0.8% on the 12 month period to December 2014 and 3.0% on the comparable 3 month period January to March 2015. Our business in the 15 month period ended 31 March 2015 was serviced by the London and Paris sites; in addition, there were revenue streams from strategic partnerships with established colocation providers in South Africa, Turkey and Russia. The group's success was also driven by the strategy to offer additional value added services, which has supported the continued sales growth.

Cash generated by the group from operating activities was £51.7m (2013: £41.8m) in the period. The increase in cash generated by operating activities is due to the Telehouse West site becoming 100% operational during the period. Due to the nature of the data centre business, cash flows are cyclical. At the start of the period Telehouse managed the operating cash flow by way of short term loans or deposits placed with facilities made available to Telehouse by local Japanese banks. During the period no loans were drawn (2013: £nil) and maximum deposits placed were £11.7m (2013: £14.9m). As at 31 March 2015, short term bank loans outstanding as well as deposits held, were £nil due to a change in the cash management strategy. With effect from 1 January 2015, Telehouse entered into a European group cash pooling agreement with KDDI Europe Limited (a UK registered subsidiary of the global parent company KDDI Corp), replacing the facilities required with local Japanese banks. This method of cash management within the group reduces interest bearing debt as all surplus cash held is utilised. From the effective date of the cash pooling agreement, short-term loans drawn were £nil (2013: £nil) and maximum deposits placed were £12.3m (2013: £nil).

Investment cash flow has been by way of long-term loan facilities provided by the parent company KDDI Corp. During the period maximum loans drawn were £10.0m (2013: £nil). With effect from 1 January 2015 the EU cash pooling agreement will be utilised for long term borrowing. As at 31 March 2015, borrowing facilities available but undrawn, were £65.0m.

Capital expenditure related to continuous site and infrastructure improvements as well as development of new products and services across London (£29.8m) and Paris (£3.5m).

Total net debt decreased by £17.7m to £34.4m during the 15 month period from 1 January 2014. This relates to the repayment of financing obtained from KDDI Corporation for the new London and Paris facilities. This includes loans with terms between 3 and 7 years, with a remaining balance of £44.5m (London) and £nil (Paris) as at 31 March 2015. The repayment schedule for the loans provided by the parent company commenced in 2010 and continues until 2017.

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

A recent study by information technology research and advisory company 451 Research anticipates that the global colocation market annualized revenue will reach $36.1 billion by the end of 2017. BroadGroup add that in Q1 of 2015, in contrast to the other three Tier 1 cities, London has continued to add supply of colocation via power and space. Synergy Research suggest this strong demand in the market is attributable to companies shifting IT workloads from their own in-house data centre to outsourced colocation and cloud services. The latest research from the Cloud Industry Forum (CIF) reveals that the overall Cloud adoption rate in the UK today stands at 84%, with almost four in five (78 %) of Cloud users having formally adopted two or more services.

Telehouse are very well positioned to meet this continued demand and are expanding the data centre campus in London Docklands. Available from early 2016 the newest data centre, Telehouse North Two, will be part of Europe's leading connectivity hub consisting of an unparalleled 73,400 sqm of space, with more than 530 carriers, ISP's and ASP's flowing into the campus.

The new data centre will deliver clients 23,000 sqm of gross space across an 11 storey building. New Enterprise clients, cloud service providers and businesses providing services enabled by the internet will be able to join London's leading connectivity hub. The new data centre will accommodate essential further growth for existing clients as well as setting new standards in data centre efficiencies. As the primary home of the London Internet Exchange (LINX), the Docklands campus has around 900 private and public peering ports into LINX, making Telehouse Europe's leading connectivity hub.

Telehouse North Two utilises the latest technology to increase operating efficiency. For example, the multi storey Vertical Indirect Adiabatic and Evaporative cooling system addresses restrictions driven by load fluctuations and delivers an industry leading PUE of 1.16 in an N+2 configuration into hot aisle containment.

Telehouse combines innovation and connectivity with peace of mind - it is the only UK data centre that has its own on-campus 132kV grid substation providing clients with an industry leading power density. Furthermore, North Two will continue to provide Telehouse's high level of resilience and redundancy with 2(N+1) UPS configuration with a total N+1 generator capacity of 18.5MW.

"25 years ago Telehouse set the benchmark for data centres, and with Telehouse North Two, we continue that commitment." (Hiroyuki Soshi, Managing Director).

Principal risks and uncertainties

The continuation of service to our customers by way of power supply and cooling are the most important aspects of our 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, on interest rates varying between 1.7% - 5.3% (London) and 2.7% - 2.8% (Paris), and by KDDI Europe Ltd, a UK registered subsidiary, via the European cash pooling agreement.

The cost of electricity represents 26% of total operating cost. This is a small increase against the year ended 31 December 2013 where the cost of electricity represented 24% of total operating cost. The increase is a result of increased customer occupancy and demand, partially mitigated by 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 risk management policies are set out in note 22 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:

	Target	15 month period ended 31 March 2015	Year ended 31 December 2013
Revenue (1)	£156m	£139m	£110.6m
Net debt (2)	£58.6m	£34.4m	£52.1m
Pipeline/sales forecast to period end (3)		1.2%	2.77%

(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, parent 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 West facility, Paris Magny facility as well as the other London and Paris spaces. Further success of the group has been driven by the offer of additional value added services to the customer.

Net debt was below the target maximum level by £24.2m, due to capital expenditure being lower than target (£29.4m), partially offset by the net cash effect of revenue being below target by £17m. The group's long term net debt, which is carefully planned and executed, is financed by its parent company. From January 2015 the group's long term debt requirements will be financed by KDDI Europe Ltd. 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 space available for sale. Telehouse continues to construct and fit out its existing and new facilities to ensure that its future growth remains strong.

Results and dividends

The profit for the financial period transferred to reserves was £48,733,000 (2013: £33,555,000). During the period no dividends (2013: £nil) were paid.

Environment

The growth in Cloud, Virtualisation and the recent economic crisis has meant the rate of growth of data centre electricity consumption has fallen significantly in last five years following a 56% growth in electricity consumed by data centres worldwide between 2005 and 2010.

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 been agreed to increase energy efficiency year on year. Reductions are measured on a quarterly basis by the environment agency.

ISO 9001 (Quality Management), ISO 27001 (Information Security) & ISO 14001 (Environmental Management)

As part of its on-going commitment to provide market-leading service, the group has continued to adhere to the requirements of ISO 9001 & ISO 27001 expanding the scope of registration to include the new "TeleCloud" service.

In May 2012 Telehouse became the first Data Centre to attain the international version of the Carbon Trust Standard for our UK sites and European subsidiaries. Achieving the Standard certifies that internationally the organisations have measured monitors and reduced their carbon emissions across their own operations and are committed to reducing them year on year.

The group holds the following standards and accreditations: ISO 9001 (Quality Management), ISO 27001 (Information Security), ISO 14001 (Environmental Management), ISO22301 (Business Continuity), OHSAS 18001(Health and Safety) & PCI DSS v2 (Payment Card industry Data Security Standard).

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

H. Soshi

Managing Director

31 May 2015

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

Directors

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

Directors
H.Soshi – Managing Director (appointed 1 April 2014)
H. Kobayashi - Managing Director(resigned 1 April 2014)
A. Fray
M. C. Reid
R. Chesnel
I. Hiroshi (resigned 1 April 2014)
R. Harris (resigned 30 June 2014)
T. Tamura (resigned 1 April 2014)
T. Sugiyama (appointed 1 April 2014)
S. Fukuhara (appointed 1 April 2014 and resigned 31 March 2015)
M. Watanabe (appointed 1 April 2014)

Substantial shareholders

At 31 March 2015, Telehouse Holdings Limited ("THL") held 92.14% of the £1 ordinary shares in the company. The ultimate holding company is KDDI Corporation, a Japanese registered company.

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.

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 period 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:

H. Soshi

Managing Director

31 May 2015

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 regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the group and parent 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 the company and of the profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

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

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 the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' statement as to disclosure of information to auditors

a) So far as each director is aware, there is no relevant audit information of which the auditors are unaware; and

b) Each of the directors has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

H. Soshi

Managing Director

31 May 2015

Independent Auditors' Report to the Members of
Telehouse International Corporation of Europe Ltd

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 2015 and of the group's profit and the group's and the company's cash flows for the 15 month period (the "period") 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

Telehouse International Corporation of Europe Ltd's financial statements comprise:

- the Consolidated and Company Statements of Financial Position as at 31 March 2015;
- the Consolidated Statement of Comprehensive Income for the period then ended;
- the Consolidated and Company Statements of Changes in Equity for the period then ended;
- the Consolidated and Company Statements of Cash Flows for the period 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 applicable law and 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.

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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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.

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.

Jonathan Ford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
31 May 2015

TELEHOUSE INTERNATIONAL CORPORATION OF EUROPE LTD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

15 month period ended 31 March 2015

Note		15 months ended 31 March 2015 Total £'000	Year ended 31 December 2013 Total £'000
	Continuing operations		
2	Revenue	139,494	110,550
	Cost of sales	(9,999)	(9,319)
	Gross profit	**129,495**	**101,231**
	Administrative expenses	(65,646)	(54,463)
	Operating profit	63,849	46,768
	Finance income	44	27
3	Finance costs	(2,152)	(2,898)
10	Share of (loss)/profit from associates	(32)	52
4	**PROFIT BEFORE TAX**	**61,709**	**43,949**
7	Taxation	(12,976)	(10,394)
	PROFIT FOR THE FINANCIAL PERIOD FROM CONTINUING OPERATIONS	**48,733**	**33,555**
	Other comprehensive income:		
	Items that may be reclassified subsequently to profit or loss:		
	Exchange differences on translation of foreign operations	(10,228)	1,326
		(10,228)	**1,326**
	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT	**38,505**	**34,881**

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

31 March 2015

Note		CONSOLIDATED 31 March 2015 £'000	CONSOLIDATED 31 December 2013 £'000	COMPANY 31 March 2015 £'000	COMPANY 31 December 2013 £'000
	NON CURRENT ASSETS				
9	Property, plant and equipment	312,311	302,521	312,311	302,521
10	Investments in associates	223	254	223	254
		312,534	302,775	312,534	302,775
	CURRENT ASSETS				
11	Trade and other receivables	39,076	27,842	38,430	27,194
12	Cash and cash equivalents	10,085	10,015	10,085	10,015
		49,161	37,857	48,515	37,209
	TOTAL ASSETS	**361,695**	**340,632**	**361,049**	**339,984**
	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT				
13	Share capital	47,167	47,167	47,167	47,167
14	Retained earnings	182,674	133,941	182,026	133,293
14	Revaluation reserve	20,808	20,808	20,808	20,808
14	Foreign exchange translation reserve	(4,509)	5,719	(4,509)	5,719
	TOTAL EQUITY	**246,140**	**207,635**	**245,492**	**206,987**
	LIABILITIES				
	NON CURRENT LIABILITIES				
16	Bank and other loans	23,800	39,000	23,800	39,000
15	Deferred income tax liabilities	12,712	12,376	12,712	12,376
19	Provisions for other liabilities and charges	761	2,669	761	2,669
		37,273	54,045	37,273	54,045
	CURRENT LIABILITIES				
16	Bank and other loans	20,700	23,073	20,700	23,073
17	Deferred income	26,403	25,499	26,404	25,499
18	Trade and other payables	28,483	27,049	28,484	27,049
20	Current income tax liabilities	2,696	3,331	2,696	3,331
		78,282	78,952	78,284	78,952
	TOTAL LIABILITIES	**115,555**	**132,997**	**115,557**	**132,997**
	TOTAL EQUITY AND LIABILITIES ATTRIBUTABLE TO OWNERS OF THE PARENT	**361,695**	**340,632**	**361,049**	**339,984**

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 31 May 2015 and signed on its behalf by:

H. Soshi

Managing Director

Company Registration Number: 2138407

TELEHOUSE INTERNATIONAL CORPORATION OF EUROPE LTD

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

15 month period ended 31 March 2015

CONSOLIDATED	Share Capital	Revaluation Reserve	Foreign Exchange Translation Reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2013	**47,167**	**20,808**	**4,393**	**100,386**	**172,754**
Comprehensive income					
Profit for the financial period	-	-	-	33,555	33,555
Currency translation differences	-	-	1,326	-	1,326
Total comprehensive income	-	-	1,326	33,555	34,882
Balance at 31 December 2013	**47,167**	**20,808**	**5,719**	**133,941**	**207,635**
Comprehensive income					
Profit for the financial period	-	-	-	48,733	48,733
Currency translation differences	-	-	(10,228)	-	(10,228)
Total comprehensive income	-	-	(10,228)	48,733	38,505
Balance at 31 March 2015	**47,167**	**20,808**	**(4,509)**	**182,674**	**246,140**

COMPANY	Share Capital	Revaluation Reserve	Foreign Exchange Translation Reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2013	**47,167**	**20,808**	**4,393**	**99,737**	**172,105**
Comprehensive income					
Profit for the financial period	-	-	-	33,555	33,555
Currency translation differences	-	-	1,326	-	1,326
Total comprehensive income	-	-	1,326	33,555	34,882
Balance at 31 December 2013	**47,167**	**20,808**	**5,719**	**133,292**	**206,986**
Comprehensive income					
Profit for the financial period.	-	-	-	48,734	48,734
Currency translation differences	-	-	(10,228)	-	(10,228)
Total comprehensive income	-	-	(10,228)	48,734	38,505
Balance at 31 March 2015	**47,167**	**20,808**	**(4,509)**	**182,026**	**245,492**

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 CASH FLOWS

15 month period ended 31 March 2015

	CONSOLIDATED		COMPANY	
	15 months ended 31 March 2015	**Year ended 31 December 2013**	**15 months ended 31 March 2015**	**Year ended 31 December 2013**
Cash flows from operating activities	**£'000**	**£'000**	**£'000**	**£'000**
Profit before tax	61,709	43,949	61,710	43,949
Adjustments for:				
Depreciation of tangible fixed assets	13,488	13,452	13,488	13,452
Finance costs	2,152	2,898	2,152	2,898
Finance income	(44)	(27)	(44)	(27)
Share of loss/(profit) in associates	32	(52)	32	(52)
(Decrease)/increase in provision for reinstatement costs	(1,908)	16	(1,908)	16
Decrease/(increase) in debtors	(11,234)	(276)	(11,234)	373
(Decrease)/increase in creditors	2,771	(3,384)	2,770	(4,033)
Cash generated from operations	**66,966**	**56,576**	**66,966**	**56,576**
Interest paid	(2,152)	(2,898)	(2,152)	(2,898)
Income tax paid	(13,092)	(11,833)	(13,092)	(11,833)
Net cash generated from operating activities	**51,722**	**41,845**	**51,722**	**41,845**
Cash flows from investing activities				
Purchase of property, plant and equipment	(33,298)	(29,140)	(33,298)	(29,140)
Interest received	44	27	44	27
Net cash used in investing activities	**(33,254)**	**(29,113)**	**(33,254)**	**(29,113)**
Cash flows from financing activities				
Repayment of borrowings	(27,475)	(21,163)	(27,475)	(21,163)
Proceeds from borrowings	10,000	-	10,000	-
Net cash used in financing activities	**(17,475)**	**(21,163)**	**(17,475)**	**(21,163)**
Net increase/(decrease) in cash and cash equivalents	993	(8,431)	993	(8,431)
Cash and cash equivalents at beginning of period	10,015	18,470	10,015	18,470
Exchange losses on cash and bank overdrafts	(923)	(24)	(923)	(24)
Cash and cash equivalents at the end of period	**10,085**	**10,015**	**10,085**	**10,015**

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

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements of Telehouse International Corporation of Europe Ltd have been prepared in accordance with EU Endorsed International Financial Reporting Standards (IFRS), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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.

Telehouse International Corporation of Europe Ltd domiciles in the United Kingdom.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries for the 15 month period ended 31 March 2015. 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.

(c) Going concern

The directors have, at the time of approving the 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.

(d) 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 IFRS's. 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)

(e) 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.

(f) 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 fair value, based on valuations by external independent valuers. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Increases in the carrying amount arising on revaluation of land are credited to other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other 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 London and 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. Depreciation on other assets 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.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

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)

(g) Investments

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

(h) 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 income statement 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 balance sheet 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 balance sheet 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.

(i) 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.

(j) 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.

(k) 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 consolidated 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.

(l) 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)

(m) 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.

(n) Recent accounting developments
a) New and amended standards adopted by the group:

IAS 27, 'Separate Financial Statements', and IAS 28, 'Associates and joint ventures', were amended in January 2014 to reflect the changes to IFRS 10 described below. These amendments are not expected to have a material impact on the financial statements.

IAS 32, 'Financial Instruments: Presentation' was amended in January 2014 to clarify the requirements for accounting treatment when setting off financial assets and financial liabilities. The directors have reviewed these requirements and do not consider that there are any instances where the offsetting of financial instruments is affected to a material degree. As such these amendments are not expected to have a material impact on the financial statements.

IAS 36, 'Impairment of Assets' was amended in January 2014 to address the disclosure of information about the recoverable amount of impaired assets where that amount is based on fair value less costs of disposal. All impairment reviews performed during the period were performed by reference to future cash flows and resulted in no impairment being recognised. As such this all required information has been disclosed in relation to impairment reviews and this amendment is not expected to have a material impact on the financial statements.

IFRS 10, 'Consolidated financial statements' was amended in January 2014. This standard now defines investment entities and states that such entities are not required to consolidate the results of their subsidiaries. The directors do not consider that the group meets the definition of an investment entity and as such this is not expected to have a material impact on the financial statements.

IFRS 12, 'Disclosures of interests in other entities' was endorsed as effective by the EU in January 2014. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This is not expected to have a material impact on the financial statements.

There are no other IFRSs or IFRIC interpretations that are effective for the first time for the financial period beginning on or after 1 January 2014 that would be expected to have a material impact on the group.

(b) New standards and interpretations issued but not effective for the financial year beginning 1 January 2014 and not early adopted:

Amendments to IAS 27, 'Separate financial statements' on the equity method were published in August 2014 and will become effective for annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures were published in September 2014 and will be effective for annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amendments to IAS 1, 'Presentation of financial statements' on the disclosure initiative were published in December 2014 and will be effective for annual periods beginning on or after 1 January 2016. These amendments make various changes to improve presentation and disclosure in financial reports.

An amendment to IFRS 15 'Revenue from contracts with customers' was published in May 2014 and will be effective for annual periods beginning on or after 1 January 2017, converging IASB and FASB treatment of revenue recognition. Revenue from longer-term contracts will be recognised on transfer of control, rather than on transfer of risks and rewards, and additional disclosures will be required to clarify the source of this revenue.

IFRS 9, 'Financial Instruments' was published in July 2014 and will be effective for annual periods beginning on or after 1 January 2018, replacing the guidance in IAS 39. The new standard simplifies the classification and measurement of financial instruments, prescribes the expected loss model for the impairment of financial assets, and simplifies hedge accounting requirements.

There are no other IFRSs or IFRIC 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.

(o) Cash and cash equivalents

Cash and cash equivalents in the balance sheet 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.

(p) 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.

(q) 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..

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

De-recognition of financial liabilities

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

(r) 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 balance sheet 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.

2. SEGMENTAL INFORMATION

Telehouse has one main trade being that of operating data centres, including colocation and related services. Telehouse operates from 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. There was no inter-segmental revenue during the period. All revenue and expense relates to continuing operations.

	15 months ended 31 March 2015			
	UK	**FRANCE**	**OTHER**	**TOTAL**
	£'000	**£'000**	**£'000**	**£'000**
Revenue	100,401	38,634	459	**139,494**
Operating profit	53,132	10,587	130	**63,849**
Assets	282,254	79,331	110	**361,695**
Liabilities	95,058	20,578	(79)	**115,557**
Capital Expenditure	29,757	3,541	-	**33,298**
Depreciation	7,602	5,886	-	**13,488**
Interest Revenue	42	2	-	**44**
Interest Expense	2,141	11	-	**2,152**
Income Tax Expense	9,843	3,133	-	**12,976**

	Year ended 31 December 2013			
	UK	**FRANCE**	**OTHER**	**TOTAL**
	£'000	**£'000**	**£'000**	**£'000**
Revenue	77,638	32,679	233	**110,550**
Operating profit	37,968	8,740	60	**46,768**
Assets	246,594	93,956	82	**340,632**
Liabilities	98,487	34,493	17	**132,997**
Capital Expenditure	23,905	5,235	-	**29,140**
Depreciation	6,824	6,628	-	**13,452**
Interest Revenue	27	-	-	**27**
Interest Expense	2,753	145	-	**2,898**
Income Tax Expense	7,645	2,749	-	**10,394**

3. FINANCE COSTS

	15 months ended 31 March 2015	Year ended 31 December 2013
	£'000	£'000
Interest expense:		
Interest payable on parent company loans	2,152	2,896
Interest payable on bank loans and overdraft	-	2
Finance costs	**2,152**	**2,898**

4. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging / (crediting) :	15 months ended 31 March 2015	Year ended 31 December 2013
	£'000	£'000
Rentals under operating leases:		
Land and buildings	1,206	763
Other assets	51	52
Depreciation (Note 9)	13,488	13,452
Profit on foreign exchange	(2)	(3)
Staff costs (Note 5)	16,676	13,112

Fees paid to auditor
During the 15 month period the group (including its overseas branches and subsidiaries) obtained the following services from the company's auditor and its associates:

	15 months ended 31March 2015	Year ended 31 December 2013
	£'000	£'000
Fees payable to company's auditor and its associates for the audit of parent company and consolidated financial statements	140	61
Fees payable to company's auditor and its associates for other services:		
- The audit of company's subsidiaries	3	3
- Tax advisory services	20	28
	163	**92**

5. EMPLOYEES

	15 months ended 31 March 2015	Year ended 31 December 2013
	Number	Number
The average monthly number of persons (including executive directors) employed by the group during the period was:		
Office and management	44	42
Facilities	30	31
Engineering and operations	77	79
Sales and marketing	38	34
	189	**186**

STAFF COSTS (for the above persons)	**£'000**	**£'000**
Wages and salaries	13,032	10,309
Social security costs	3,168	2,430
Other pension costs	476	373
	16,676	13,112

The company contributed £475,982 (2013- £373,246) to a UK Group Personal Pension Scheme on behalf of its UK employees who have completed more than three months' service.

6. DIRECTORS' REMUNERATION

	15 months ended 31 March 2015	Year ended 31 December 2013
	£'000	£'000
In respect of directors of Telehouse International Corporation of Europe Ltd:-		
Aggregate emoluments	979	894
Contributions to group personal pension schemes	78	104
	1,057	**998**
Highest paid director:-		
Wages and salaries	224	186
Contributions to group personal pension scheme	17	13
	Number	**Number**
Number of current directors for whom benefits are accruing under group personal pension scheme	4	4

The directors' remuneration has been disclosed based on actual remuneration paid during the period. Under the provisions of the Telehouse director bonus scheme, there are provisions in these financial statements for a final bonus in respect of 2014, which is due to be paid in June 2015. Included within that provision are amounts in respect of directors' bonus entitlement of £80,000 (2013: £120,000).

7. TAXATION

	15 months ended 31 March 2015 £'000	Year ended 31 December 2013 £'000
Current tax		
Corporation tax	12,973	11,210
Adjustment to prior years	(333)	(816)
Total current tax charge	12,640	10,394
Deferred tax – note 15		
Charge/(credit) for period	336	-
Charge for the period	**12,976**	**10,394**
Factors affecting the current tax charge for the period		
Profit before taxation	61,709	43,949
Profit before taxation multiplied by standard rate of UK Corporation tax of 21.4% (2013: 23.25%).	13,206	10,218
Effects of:		
Non-deductible expenses	(892)	417
Other non taxable items	(116)	(163)
Higher tax on non UK profits	870	738
Timing differences for tax arising on capital assets	336	-
Adjustment to prior years	(333)	(816)
Group relief	(95)	-
	(230)	176
Total taxation charge for the period	**12,976**	**10,394**

The period-end deferred tax liabilities have been measured at the latest substantively enacted tax rate as at 31 March 2015 of 20%, which was enacted in full on 1 April 2015 and as such is expected to apply to relevant future cash flows.

8. PROFIT FOR THE PERIOD

The parent company's (Telehouse International Corporation of Europe Ltd) profit for the financial period amounted to £48,733,000. (2013: £33,555,000). 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..

9. PROPERTY, PLANT & EQUIPMENT (CONSOLIDATED AND COMPANY)

	Freehold land	Freehold buildings	Fixtures & fittings	Plant & machinery	Office equipment	TOTAL
Cost or valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2013	24,001	152,052	120,720	79,182	11,764	387,719
Additions	16,797	1,239	9,168	777	1,159	29,140
Disposals	-	-	-	-	(96)	(96)
Transfers	-	-	(9,426)	9,426	-	-
Currency realignment	97	449	1,827	468	89	2,930
At 1 January 2014	**40,895**	**153,740**	**122,289**	**89,853**	**12,916**	**419,693**
Additions	-	23,762	4,565	2,753	2,218	33,298
Disposals	-	-	(1,713)	(452)	(32)	(2,197)
Transfers	-	-	(4,337)	4,337	-	-
Currency realignment	(520)	(2,408)	(10,437)	(2,481)	(524)	(16,370)
At 31 March 2015	**40,375**	**175,094**	**110,367**	**94,010**	**14,578**	**434,424**
Accumulated depreciation						
At 1 January 2013	-	2,780	58,181	33,299	8,682	102,942
Charge for the year	-	-	7,861	4,624	967	13,452
Disposals	-	-	-	-	(96)	(96)
Transfers	-	-	(3,181)	3,181	-	-
Currency realignment	-	15	624	195	41	875
At 1 January 2014	-	**2,795**	**63,485**	**41,299**	**9,594**	**117,173**
Charge for the period	-	-	5,293	6,531	1,664	13,488
Disposals	-	-	(1,713)	(443)	(32)	(2,188)
Transfers	-	-	-	-	-	-
Currency realignment	-	(81)	(4,453)	(1,535)	(291)	(6,360)
At 31 March 2015	-	**2,714**	**62,612**	**45,852**	**10,935**	**122,113**
Net book value						
At 31 March 2015	**40,375**	**172,380**	**47,755**	**48,158**	**3,643**	**312,311**
At 31 December 2013	**40,895**	**150,945**	**58,804**	**48,554**	**3,323**	**302,521**
Cost or valuation of assets fully depreciated						
At 31 March 2015	-	3,350	32,155	14,082	8,043	57,630
At 31 December 2013	-	3,430	28,379	12,672	7,215	51,696

Included within the cost of fixtures and fittings is the provision for the reinstatement for costs of £0.76m (2013: £2.65m).

10. INVESTMENTS IN ASSOCIATES

Group associates

The group's share of the profits 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	%
2015						
Funeven Limited	England & Wales	368	146	131	(32)	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 losses from associates of £32k included in the Consolidated Statement of Comprehensive Income, reflects the group's share of the total losses 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 profit for the period before and after tax for 2015 was nil (2013: nil). Shareholders' funds and net assets at the year-end was £0.6m (2013: £0.6m).

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

11. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		COMPANY	
	31 March 2015	31 December 2013	31 March 2015	31 December 2013
	£'000	£'000	£'000	£'000
Due within one year:				
Trade receivables	18,075	20,670	18,075	20,670
Amounts owed by related parties	15,487	2,239	14,842	1,591
Other debtors	-	167	-	167
Prepayments	3,962	2,491	3,961	2,491
Accrued income	1,552	2,275	1,552	2,275
Total trade and other receivables	**39,076**	**27,842**	**38,430**	**27,194**

12. CASH AND CASH EQUIVALENTS

	CONSOLIDATED		COMPANY	
	31 March 2015	31 December 2013	31 March 2015	31 December 2013
	£'000	£'000	£'000	£'000
Short term bank deposits	7,642	7,099	7,642	7,099
Cash at bank and in hand	3,535	4,025	3,535	4,025
Bank overdrafts	(1,092)	(1,109)	(1,092)	(1,109)
Total cash and cash equivalents	**10,085**	**10,015**	**10,085**	**10,015**

The effective interest rate on short term deposits were 0.45% (2013: 0.43%) and these deposits have an average maturity of 8 days (2013: 8 days)

Bank overdrafts, which fluctuate between positive and negative balances, are used as part of the company's day-to-day cash management tools rather than as a financing arrangement.

13. SHARE CAPITAL (CONSOLIDATED AND COMPANY)

	31 March 2015	31 December 2013
	£'000	£'000
AUTHORISED:		
60,000,000 (2013: 60,000,000) ordinary shares of £1 each	60,000	60,000
ALLOTTED AND FULLY PAID		
At 1 January 2014 and 31 March 2015:		
47,167,348 (2013: 47,167,348) ordinary shares of £1 each	47,167	47,167

14. RESERVES

	CONSOLIDATED		COMPANY	
	31 March 2015	31 December 2013	31 March 2015	31 December 2013
	£'000	£'000	£'000	£'000
Retained earnings				
At 1 January 2014	133,941	100,386	133,293	99,737
Retained profit on ordinary activities for the period (Note 23)	48,733	33,555	48,733	33,556
At 31 March 2015	182,674	133,941	182,026	133,293
Revaluation reserve				
As at 1 January 2014 and 31 March 2015	20,808	20,808	20,808	20,808
Foreign exchange translation reserve				
At 1 January 2014	5,719	4,393	5,719	4,393
Translation adjustment on foreign held net assets	(10,228)	1,326	(10,228)	1,326
At 31 March 2015	(4,509)	5,719	(4,509)	5,719
Total reserves	**198,973**	**160,469**	**198,325**	**159,820**

15. DEFERRED INCOME TAX LIABILITIES

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

	CONSOLIDATED		COMPANY	
	31 March 2015 £'000	31 December 2013 £'000	31 March 2015 £'000	31 December 2013 £'000
Beginning of the period	12,376	12,376	12,376	12,376
Income statement charge	336	-	336	-
End of period	**12,712**	**12,376**	**12,712**	**12,376**

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 January 2014	8,372	(269)	4,273	12,376
Charged to the income statement	-	336	-	**336**
At 31 March 2015	**8,372**	**67**	**4,273**	**12,712**

16. BANK AND OTHER LOANS

	CONSOLIDATED		COMPANY	
	31 March 2015	31 December 2013	31 March 2015	31 December 2013
Current	£'000	£'000	£'000	£'000
Parent company loans due within 1 year	20,700	23,073	20,700	23,073
	20,700	**23,073**	**20,700**	**23,073**
Non-Current				
Parent company loans due 2-5 years	23,800	39,000	23,800	39,000
	23,800	**39,000**	**23,800**	**39,000**
Total borrowings	**44,500**	**62,073**	**44,500**	**62,073**

The company net debt is financed by KDDI Corporation, the ultimate parent company, and by KDDI Europe Ltd, a UK registered subsidiary, via the European cash pooling agreement, on interest rates varying between 1.7 - 5.3% (London). All long term loans are due for repayment by August 2017.

17. DEFERRED INCOME

	CONSOLIDATED		COMPANY	
	31 March 2015 £'000	31 December 2013 £'000	31 March 2015 £'000	31 December 2013 £'000
Advance billing for service provision	26,403	25,499	26,404	25,499

18. TRADE AND OTHER PAYABLES

	CONSOLIDATED		COMPANY	
	31 March 2015 £'000	31 December 2013 £'000	31 March 2015 £'000	31 December 2013 £'000
Trade creditors	9,249	2,588	9,249	2,588
Customer security deposits	6,124	6,576	6,124	6,576
Other tax and social security	3,380	3,318	3,380	3,318
Amounts owed to related parties	2,437	3,034	2,440	3,034
Accruals	6,299	11,533	6,297	11,533
Finance Lease	994	-	994	-
Total trade and other payables	**28,483**	**27,049**	**28,484**	**27,049**

19. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Reinstatement costs £'000	Total £'000
At 1 January 2014	2,669	2,669
Credited to the statement of comprehensive income	(1,908)	(1,908)
At 31 March 2015	**761**	**761**

The company currently rents office buildings under operating leases at sites in London and Paris. A provision is recognised for the costs to be incurred for the reinstatement of these offices to their original state at the termination of the lease term. An element of the provision was released based on a surveyor report.

20. CURRENT INCOME TAX LIABILITIES

	CONSOLIDATED		COMPANY	
	31 March 2015 £'000	31 December 2013 £'000	31 March 2015 £'000	31 December 2013 £'000
Corporation tax	2,696	3,331	2,696	3,331
Total current income tax liabilities	**2,696**	**3,331**	**2,696**	**3,331**

21. COMMITMENTS UNDER OPERATING LEASES

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

	CONSOLIDATED AND COMPANY			
	31 March 2015		31 December 2013	
	£'000	£'000	£'000	£'000
	Land and buildings	Other assets	Land and buildings	Other Assets
No later than one year	1,081	45	524	49
Later than one year and no later than five years	3,762	53	343	28
Later than five years	1,535	-	-	-
	6,378	98	867	77

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

The group's principal financial instruments during the year comprised bank loans, parent loan, 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 loans are due to be repaid in instalments between 2015 and 2017.

The company'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 2015	31 December 2013	31 March 2015	31 December 2013
	£'000	£'000	£'000	£'000
Financial assets				
Loans and receivables				
- Cash and cash equivalents	10,085	10,015	10,085	10,015
- Trade and other receivables	33,562	25,351	33,859	24,703
Financial liabilities				
Amortised cost				
Borrowings	44,500	62,073	44,500	62,073
Trade and other payables	22,184	17,155	18,980	17,155

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management objectives

Interest rates
The group funds its expansion mainly with parent company loans provided at average interest rates between 1.7% and 5.3%. The remaining funding requirements are split between one week and 10 day fixed rate loans, in order to minimise interest costs and, when prudent, to enter into longer term loans to secure fixed interest rates for longer periods. 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 3 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 45 days.

	CONSOLIDATED		COMPANY	
	31 March 2015 £'000	**31 December 2013 £'000**	**31 March 2015 £'000**	**31 December 2013 £'000**
Cash and cash equivalents – Standard & Poor's credit ratings				
Long term Rating				
A+	454	935	454	935
A	9,615	8,848	9,615	8,848
A-	16	232	16	232
	10,085	**10,015**	**10,085**	**10,015**

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 16. The group's other financial liabilities consist of trade and other payables which have a maturity of less than 3 months.

22. 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 balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 March 2015 and 31 December 2013 were as follows:

	31 March 2015 £'000	31 December 2013 £'000
Total borrowings (Note 16)	44,500	62,073
Less: cash and cash equivalents (Note 12)	(10,085)	(10,015)
Net debt	34,415	52,058
Total equity	246,140	207,635
Total capital	**280,555**	**259,693**
Gearing ratio	**12%**	**20%**

The decrease in the gearing ratio during the period resulted primarily from the repayment of loans (Note 16).

23. CHANGES IN SHAREHOLDERS' EQUITY

	CONSOLIDATED		COMPANY	
	31 March 2015	31 December 2013	31 March 2015	31 December 2013
	£'000	£'000	£'000	£'000
Retained profit for the period(Note 14)	48,733	33,555	48,734	33,556
Currency translation adjustment	(10,228)	1,326	(10,228)	1,326
Net addition to equity	38,505	34,881	38,506	34,882
Opening shareholders' equity	207,635	172,754	206,987	172,105
Closing shareholders' equity	**246,140**	**207,635**	**245,493**	**206,987**

24. CAPITAL COMMITMENTS

	CONSOLIDATED		COMPANY	
	31 March 2015	31 December 2013	31 March 2015	31 December 2013
	£'000	£'000	£'000	£'000
Contracted for, but not provided, in these financial statements	72,912	2,679	72,912	2,679

25. PARENT COMPANY

The immediate parent company is Telehouse Holdings Limited which holds 92.14% of the company's share capital.

The ultimate parent undertaking and controlling party 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

26. RELATED PARTY DISCLOSURES

As detailed in note 25 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	
	15 months ended 31 March 2015	Year ended 31 December 2013	15 months ended 31 March 2015	Year ended 31 December 2013
	£'000	£'000	£'000	£'000
- the ultimate parent (KDDI)	55	23	55	23
- other related parties	9,910	6,679	9,910	6,679
Total	**9,965**	**6,702**	**9,965**	**6,702**

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

26. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Purchase of services:

	CONSOLIDATED		COMPANY	
	15 months ended 31 March 2015	Year ended 31 December 2013	15 months ended 31 March 2015	Year ended 31 December 2013
	£'000	£'000	£'000	£'000
- the ultimate parent (KDDI)	152	16	152	16
- other related parties	(185)	27	(185)	27
Total	**(33)**	**43**	**(33)**	**43**

(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	
	15 months ended 31 March 2015	Year ended 31 December 2013	15 months ended 31 March 2015	Year ended 31 December 2013
	£'000	£'000	£'000	£'000
Salaries and short term employee benefits	2,270	1,540	2,270	1,540
Total compensation	**2,270**	**1,540**	**2,270**	**1,540**

The key management compensation has been disclosed based on actual remuneration paid during the period. Due to the change in the group's year-end during the period, provisions of the Telehouse staff bonus scheme are not required, as the payments were made in March 2015. Therefore included within that provision are amounts in respect of key management compensation entitlement of £nil (2013: £180,000).

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

	CONSOLIDATED		COMPANY	
	31 March 2015	31 December 2013	31 March 2015	31 December 2013
	£'000	£'000	£'000	£'000
Receivables from ultimate parent	12	1	12	1
Receivables from other related parties	15,475	2,238	14,830	1,590
Total receivables from related parties	**15,487**	**2,239**	**14,842**	**1,591**
Payables to ultimate parent	462	774	462	774
Payables to other related parties	1,975	2,260	1,978	2,260
Total payables to related parties	**2,437**	**3,034**	**2,440**	**3,034**

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

26. RELATED PARTY DISCLOSURES (CONTINUED)

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

	CONSOLIDATED AND COMPANY	
	31 March 2015 £'000	31 December 2013 £'000
Beginning of period	62,073	83,049
Loan repayments	(27,475)	(21,163)
Loans advanced during the period	10,000	-
Exchange rate movement	(98)	187
End of period	**44,500**	**62,073**

The loans from related parties carry interest at average rate of 3.24% (2013: 3.92%).

27. CONTINGENT LIABILITIES

There are no material contingent liabilities as at 31 March 2015.

28. ANALYSIS OF CHANGES IN NET DEBT

	CONSOLIDATED AND COMPANY			
	31 December 2013	Cash flows	Currency exchange adjustment	31 March 2015
	£'000	£'000	£'000	£'000
Bank overdrafts (Note 12)	(1,109)	17	-	(1,092)
Cash at bank and in hand (Note 12)	4,025	(490)	-	3,535
Short and long term deposits (Note 12)	7,099	1,466	(923)	7,642
	10,015	993	(923)	10,085
Debt due within one year (Note 16)	(23,073)	2,373	-	(20,700)
Debt due in more than one year (Note 16)	(39,000)	15,200	-	(23,800)
	(62,073)	17,573	-	(44,500)
Total	**(52,058)**	**18,566**	**(923)**	**(34,415)**

29. EVENTS AFTER THE REPORTING PERIOD

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