Registered number: 03672650

EQUINIX (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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COMPANY INFORMATION

Directors	Eric Schwartz Russell Poole
Registered number	03672650
Registered office	Masters House 107 Hammersmith Road London W14 0QH
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors The Atrium 1 Harefield Road Uxbridge, Middlesex UB8 1EX

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

Introduction

The directors present their strategic report on Equinix (UK) Limited ("the Company") for the year ended 31 December 2016.

Principal activities

The Company designs and operates network neutral datacentres in the United Kingdom. The Company's principal business is to provide network-neutral datacentre and interconnection services, offering premium collocation, traffic exchange and managed IT infrastructure solutions. Global enterprises, financial companies, content providers, cloud and IT services companies, and network service providers look to Equinix datacentres for world-class reliability and network diversity. Equinix datacentres serve as critical, core hubs for IP networks and internet operations worldwide.

The Company acts as a sales agent for Equinix (EMEA) B.V. It is also remunerated for other services it supplies including the operation of datacentre facilities.

Business review

The results for the year and the financial position of the Company are shown in the financial statements and notes on pages 9 to 32.

The turnover of the Company in 2016 was £209.7 million (2015: £170.5 million), an increase of 23.0% reflecting the continuing increase in occupation of the datacentre and acquisition of Telecity business during 2016 mentioned below.

The Company's profit for the financial year amounted to £29.0 million (2015: £5.3 million).

On 15 January 2016 Equinix (UK) Acquisition Enterprises Limited, an indirect subsidiary of Equinix, Inc., acquired Telecity Group plc (now Telecity Group Limited) and its subsidiaries the intention being to integrate the businesses of the subsidiaries of the Telecity Group into the Equinix Group and the Equinix central or commissionaire business model and to preserve the Equinix Group's status as a real estate investment trust under the United States Internal Revenue Code of 1986, as amended.

Over the course of 2016 the Company engaged in a business model optimization ("BMO") project. Under the terms of the project the subsidiaries of Telecity Group Limited were prepared for integration into Equinix's pre-existing European legal entity structure or sale to external third parties where the Competition authorities had raised concerns. The acquisition required clearance from the European Commission. To obtain this clearance Equinix, Inc. and TelecityGroup agreed commitments to divest seven of the TelecityGroup data centres including some owned by the Company. On 2 February 2016 Telecity Group International Limited incorporated TelecityGroup UK LON Limited to acquire these seven datacentres along with the business associated with each.

On 1 April 2016, Equinix (UK) Enterprises Limited transferred certain data centre assets and employees (LD2) to the Company. On the same date, the Company sold all these assets and employees to TelecityGroup UK LON Limited which was settled through a loan note amounting to £30.0 million.

On 1 October 2016, TelecityGroup UK Limited sold all its business, assets and liabilities to the Company for an amount of £873.7 million. The transaction was settled via an intercompany payable loan note on the Company equal to the sales price. Subsequently the Company sold the TelecityGroup UK Limited managed services contracts with a value of £50.6 million to Equinix (UK) Enterprises Limited for £50.6 million.

On 1 October 2016, TelecityGroup International Limited assigned its Cloud IX contracts to the Company for an amount of £0.2 million. The transaction was settled in cash.

On 19 December 2016, the Company allotted one additional ordinary share of £1 each for a total consideration of £64.2 million, with £64.2 million of the excess of the consideration over the nominal value of the share being credited to the share premium account. The consideration was settled with a loan payable amounting to £64.2 million by the Company to Equinix (EMEA) Holdings B.V.

On 31 December 2016 Equinix, Inc. agreed to compensate the Company for any excess value in acquisition price taking into account local GAAP and transfer pricing rules and relating to the purchase of the business of TelecityGroup UK Limited amounting to £273.1 million.

Business environment

The UK datacentre market is well established and dominated by a number of key players including the Company. The market is predominantly centred around the South East with the majority of major datacentres located on the periphery of London.

The market continues to show strong growth, driven by increasing internet traffic, rises in requirements for power and cooling, the expansion of computing requirements of the financial services industry, the emergence of Cloud Computing and Software as a Service, despite the high capital costs associated with building and maintaining in-sourced datacentres.

The competitive landscape remains aggressive but the Company's positioning, based on the quality of its service and the value to its customers of being present in an Equinix International Business Exchange (IBX), has allowed pricing to be maintained at the high end of the current market range.

Strategy

The Company's intention is to expand its leadership position as a premier, network neutral datacentre operator for cloud and IT services providers, content providers, financial companies, enterprise and network services providers.

The Company operates 'Platform Equinix', a concept that describes the business optimisation customers can achieve by being present in Equinix IBX datacentres, ranging from resilience through to interconnection, global reach, access to multiple low-latency networks and the opportunity to participate in financial services and networks ecosystems.

In addition, the Company has expanded its go-to-market strategy by focusing on the key vertical markets of Financial Services, Networks, Content & Digital Media, Enterprise and Cloud & IT services, developing specific value propositions for each market.

Future outlook

The Company will continue to look for attractive opportunities to grow its market share and improve its service offerings. The Company believes that the market for its services continues to provide the strong growth prospects that will enable it to maintain and improve its current performance.

Going concern

On 31 December 2016, the Company is in a net current liability position of £249.3 million (2015: £86.1 million) and has a negative equity position of £142.6 million (2015: positive equity of £109.6 million).

The negative equity is related to the application of predecessor accounting to the value of the assets and liabilities acquired from TelecityGroup UK Limited. The consideration paid, after compensation received from Equinix, Inc., exceeded historical net book values by £345.4 million.

The directors of the ultimate parent company, Equinix, Inc. have confirmed that it is their intention to make continued financial support available to enable the Company to meet its liabilities as they fall due for a period of not less than one year from the date of approval of these financial statements. The directors of Equinix, Inc. have decided to waive an amount of £250.0 million of the long-term loan payable between the Company and Equinix, Inc. to return to a positive equity position before the end of 2017. As a result, these financial statements have been prepared on a going concern basis.

Key performance indicators

The Company measures its financial performance by reference to third party turnover and gross profit margin.

As explained in the Business Review section:

Turnover increased by 23.0% to £209.7 million (2015: £170.5 million) reflecting the continuing increase in occupation of the datacenters and acquisition of Telecity business during 2016.

Gross profit margin percentage increased to 13.8% (2015: 13.4%).

Financial instruments and risks

Financial risks facing the Company are monitored through a process of regular assessment by the Company's management team.

Many of the risks previously borne by the Company are now borne by Equinix (EMEA) B.V., following the change in distribution model. These include risks relating to pricing, datacentre running costs and bad debt.

Liquidity risk can be adequately managed, as the business is highly cash generative, by cash flow forecasting to ensure sufficient cash balances are maintained, particularly at times when the Company is investing heavily in new capital infrastructure.

The Company is exposed to interest rate fluctuations on its variable rate long term borrowing. The Company aims to obtain funding to meet its business needs at competitive rates of interest. Borrowings are managed centrally by the Group Treasury function.

Principal risks and uncertainties

Operating risks facing the Company are monitored through a process of regular assessment by the Company's management. Principal risks include:

Failure of physical infrastructure: The Company's business depends on providing customers with a highly reliable service. The Company must protect its customers' infrastructure and equipment located in its IBX datacentres. The services the Company provides in each of its datacentres are subject to failure resulting from numerous factors, including: human error; equipment failure; physical, electronic and cyber security breaches; natural disasters; extreme temperatures; water damage; fibre cuts; power loss; sabotage; or terrorist acts. Problems at one or more of the Company's datacentres could result in service interruptions or significant equipment damage.

Prolonged power outages: The Company's business could be harmed by prolonged electrical power outages or shortages. The Company attempts to limit exposure to system downtime by using backup generators and power supplies. However, the Company is not able to eliminate its exposure entirely even with these protections in place.

Security breaches: The Company may be vulnerable to security breaches which could disrupt its operations and have a material adverse effect on its financial performance and operating results. A party who is able to compromise the security measures on the Company's networks or the security of the Company's infrastructure could misappropriate personal or proprietary information of its customers, or cause interruptions or malfunctions in the Company's operations or its customers' operations. As the Company provides assurances to its customers that it provides the highest level of security, such a compromise could be particularly harmful to the Company's brand and reputation. The Company may be required to expend significant capital and resources to protect against such threats or to alleviate problems caused by breaches in security.

Environmental regulations: These may impose new or unexpected costs. The Company is subject to environmental and health and safety regulations, including those relating to the generation, storage, handling and disposal of hazardous waste. The Company's operations involve the use of hazardous substances, such as petroleum fuel for emergency generators, as well as batteries. To the extent that any hazardous substances or any other substance or material must be cleaned up, the Company may be responsible under applicable regulations, the cost of which could be substantial. The Company maintains extremely high standards of health and safety compliance throughout the organisation.

Products and services have long sales cycles: A customer's decision to license cabinet space in one of the Company's IBX datacentres and to purchase additional services typically involves a significant commitment of resources. In addition, some customers will be reluctant to commit to locating in the Company's IBX datacentres until they are confident that the IBX datacentre has adequate carrier connections. As a result the Company has a long sales cycle. Furthermore, the Company may expend significant time and resources in pursuing a particular sale or customer that does not result in revenue. It takes time for new sales hires to become fully productive, so any loss of sales staff is a risk to the business.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

Principal risks and uncertainties (continued)

Global economic uncertainty could adversely impact the Company's business: Economic uncertainty in the USA or Europe, resulting in a downturn, could result in churn in the Company's customer base, reductions of sales of its products and services, longer sales cycles, slower adaption of new technologies and increased price competition.

This report was approved by the board and signed on its behalf.

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Eric Schwartz
Director
Date: 13 December 2017

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the audited financial statements for the year ended 31 December 2016.

Statement of directors' responsibilities in respect of the financial statements

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, 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 Company 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

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

Results and dividends

The profit for the financial year amounted to £29.0 million (2015 - £5.3 million).

The directors do not propose the payment of a dividend in respect of 2016 (2015: Nil).

The going concern and financial risk sections are disclosed in the Strategic Report.

Directors

The directors who served during the year and up to the date of signing these financial statements were:

Eric Schwartz
Russell Poole

Future developments

A review of the business and likely future developments is contained in the strategic report.

Disclosure of information to auditors

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 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 Company's auditors are aware of that information.

Modern Slavery Act

Equinix's ethics and values are core to our people and culture and how we conduct our business in the United Kingdom and around the world. Equinix is opposed to modern slavery or human trafficking in all its forms and we expect the same opposition from all who work for us and we demand it from anyone with whom we have business dealings. Our ethics and values are clearly embodied in our Code of Business Conduct, and, as directors, we have taken steps to ensure we have processes in place to ensure that all of our employees agree to comply with our Code of Business Conduct, and all employees undergo on-going training and are asked to certify such compliance. These same ethics and values are impugned to our suppliers and vendors through a series of measures, including our Business Partner Code of Conduct.

With regard to the major suppliers and vendors, global and local, to our business, the directors have taken steps to ensure we have employees focused on procurement activities who carry out proper due diligence and implement appropriate vendor selection criteria that include due regard to the ethical standards and corporate values which are consistent with the principles embodied in the Modern Slavery Act 2015. The directors have overseen that we have implemented contractual provisions into our standard terms and conditions of purchase and supplemental contracts for the supply of goods and services that require such suppliers and vendors to comply with the requirements of the Modern Slavery Act 2015, including our right to request evidence of compliance with such requirements at any time upon reasonable notice.

Equinix is committed to continuing to improve its procurement policies, processes and practices in order to play its part towards the goal of eradicating any form of modern slavery and human trafficking in global supply chains around the world.

Post balance sheet events

On 7 January 2017, the Company entered into a purchase agreement with IO International Holding LLC for the purchase of the entire issued share capital of IO Europe Limited for approximately £32.0 million in cash. The transaction closed on 3 February 2017.

The directors of the ultimate parent company, Equinix, Inc have decided to waive an amount of £250.0 million of the long-term loan payable between the Company and Equinix, Inc. to return to a positive equity position before the end of 2017.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

Eric Schwartz
Director

Date: 13 December 2017

Independent auditors' report to the members of Equinix (UK) Limited

Report on the financial statements

Our opinion

In our opinion, Equinix (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the Income Statement and Statement of Comprehensive Income for the year then ended;
- the Statement 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 United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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 company and its 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the 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 in respect of the financial statements set out on page 5, 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 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.

Hitesh Haria (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
13 December 2017

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £000	2015 £000
Turnover	5	209,732	170,467
Cost of sales		(180,762)	(147,608)
Gross profit		28,970	22,859
Administrative expenses		(12,329)	(11,570)
Operating profit	6	16,641	11,289
Interest receivable and similar income	8	398	467
Interest payable and similar expenses	9	(16,372)	(5,980)
Other non-operating income	10	26,598	-
Profit before taxation		27,265	5,776
Tax on profit	13	1,736	(525)
Profit for the financial year		29,001	5,251
Other comprehensive expense:			
Items that will be reclassified subsequent to profit and loss			
Deferred tax related to share based payments		-	(2)
Total other comprehensive income for the year		-	(2)
Total comprehensive income for the year		29,001	5,249

The notes on pages 12 to 32 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £000	2015 £000
Fixed assets			
Intangible assets	14	12,749	12,381
Tangible Assets	15	462,163	220,542
Investments	16	54,329	1,394
		529,241	234,317
Current assets			
Assets held for sale	17	-	6,285
Debtors	18	104,873	26,628
Cash at bank and in hand	19	8,391	335,622
		113,264	368,535
Creditors: amounts falling due within one year	20	(362,557)	(454,623)
Net current liabilities		(249,293)	(86,088)
Total assets less current liabilities		279,948	148,229
Creditors: amounts falling due after more than one year	21	(395,458)	(32,062)
		(115,510)	116,167
Provisions for liabilities			
Asset retirement obligation	22	(3,600)	(1,290)
Deferred tax	23	(23,508)	(5,269)
		(27,108)	(6,559)
Net (liabilities)/assets		(142,618)	109,608
Capital and reserves			
Called up share capital	25	20	20
Share premium account	25	65,161	962
(Accumulated losses)/Retained Earnings	25	(207,799)	108,626
Total shareholders' (deficit)/funds		(142,618)	109,608

The notes on pages 12 to 32 form part of these financial statements.

The financial statements on pages 9 to 32 were approved and authorised for issue by the board and were signed on its behalf by:

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Eric Schwartz
Director

Registered number: 03672650

Date: 13 December 2017

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Share premium account	Retained earnings /(Accumulated losses)	Total shareholders' funds/(deficit)
	£000	£000	£000	£000
At 1 January 2016	20	962	108,626	109,608
Comprehensive income for the year				
Profit for the financial year	-	-	29,001	29,001
Shares issued during the year (note 25)	-	64,199	-	64,199
Compensation received from Equinix, Inc. (note 29)	-	-	273,140	273,140
Predecessor accounting reserve (note 29)	-	-	(618,566)	(618,566)
At 31 December 2016	20	65,161	(207,799)	(142,618)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital	Share premium account	Retained earnings	Total shareholders' funds
	£000	£000	£000	£000
At 1 January 2015	20	962	103,377	104,359
Comprehensive income for the year				
Profit for the financial year	-	-	5,251	5,251
Deferred tax related to share based payments	-	-	(2)	(2)
At 31 December 2015	20	962	108,626	109,608

The notes on pages 12 to 32 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. General information

The Company is a private company limited by share capital incorporated and domiciled in the United Kingdom.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

2. Registered address

The address of the registered office is given on the Company information page.

3. Summary of significant accounting policies

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

3.1 Basis of preparation of financial statements

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the Company has undergone transition from Generally Accepted Accounting Principles in United Kingdom ("UK GAAP") to FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 as issued by the Financial Reporting Council. The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 4).

Consolidation

The financial statements contain information about the Company as an individual company and do not contain consolidated financial statements of any group of companies. The Company has taken advantage of the exemptions available under section 400 of the Companies Act from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent, Equinix, Inc., a company incorporated in the United States of America (note 31).

3.2 Summary of disclosure exemptions

Equinix (UK) Limited meets the definition of a qualifying entity under FRS 101.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

Exemptions have been taken in relation to the presentation of a cash flow statement, standards not yet effective, related party transactions and remuneration of key management personnel.

3. **Summary of significant accounting policies (continued)**

3.3 New standards, amendments and IFRIC interpretations

No new accounting standards or amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2016 have had a material impact on the Company.

3.4 Going concern

On 31 December 2016, the Company is in a net current liability position of £249.3 million (2015: £86.1 million) and has a negative equity position of £142.6 million (2015: positive equity of £109.6 million).

The negative equity is related to the application of predecessor accounting to the value of the assets and liabilities acquired from TelecityGroup UK Limited. The consideration paid, after compensation received from Equinix, Inc., exceeded historical net book values by £345.4 million.

The directors of the ultimate parent company, Equinix, Inc. have confirmed that it is their intention to make continued financial support available to enable the Company to meet its liabilities as they fall due for a period of not less than one year from the date of approval of these financial statements. The directors of Equinix, Inc. have decided to waive an amount of £250.0 million of the long-term loan payable between the Company and Equinix, Inc. to return to a positive equity position before the end of 2017. As a result, these financial statements have been prepared on a going concern basis.

3.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the income statement within 'Other operating (charges)/income'.

3.6 Turnover

Turnover includes recurring streams, consisting primarily of colocation, which includes the licensing of cabinet space and power, and interconnection offerings, such as cross connects and Equinix Exchange ports. The remainder of the Company's turnover is from non-recurring streams, such as installation revenues, professional services and metered power. Turnover from recurring streams is invoiced monthly and recognised ratably over the term of the contract. Non-recurring installation fees, although paid in a lump sum upon installation, are deferred and recognised ratably over the period the customer is expected to benefit from the installation. Professional service and metered power fees are recognised in the period in which the services were provided.

The Company is not ultimately exposed to most risks and rewards arising from the customer contracts, but it is the primary obligator responsible for providing the related services towards the customers and is therefore acting as principal from the perspective of the customer. In assessing the principal in accordance with IAS 18, it was considered that the other entity ultimately exposed to most risks and rewards is part of the same group. As a result the Company recognises the gross revenue received from the contracts with customers as revenue in its separate financial statement prepared in accordance with the principles of IAS 18.

3. **Summary of significant accounting policies (continued)**

3.7 Accrued and deferred income

Income is accrued where the provision of services has occurred and invoices have not been generated for that period. Accrued income for contracts commencing during a month is calculated on a daily basis. Income is deferred for the provision of future services which the customer has been billed for but not yet received. Deferred income is then released and recognised in the profit and loss account for the month in which the service is provided.

3.8 Pension costs

The Company operates a defined contribution pension scheme. The assets of this scheme are held separately to those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company in the year.

3.9 Equinix, Inc. share option plan

Where share options in the shares of the ultimate parent company (note 26) are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period. As all share options are fully vested, there is no further charge in the current year.

Restricted stock unit plan

The Company's ultimate parent (note 26) issues Restricted Stock Units (RSUs) to certain employees of the Company. RSUs are equity-settled share based payments, measured at fair value at the date of grant. For RSUs with only a service condition or a service and performance condition, fair value is measured using the Equinix, Inc. stock price on the date of grant. For RSUs with a service and market condition, fair value is measured using a Monte Carlo simulation option-pricing model. The fair value determined at the grant date of the equity-settled share based payments is expensed in the financial statements of the Company on a straight-line basis over the vesting period, based on the ultimate parent's estimate of the number of shares that will eventually vest. The charge recognised in the profit and loss account reflects the charge from the ultimate parent calculated on this basis.

Employee share purchase plan

The Company's ultimate parent (note 26) operates an Employee Share Purchase Plan (ESPP) in which all employees of the Company are eligible to participate. These are equity-settled share based payments made at employee election in lieu of a portion of cash compensation. The scheme permits the twice annual purchase of discounted shares in the ultimate parent, based on contributions made by employees via payroll deduction.

The Company is recharged by the ultimate parent undertaking for the undiscounted fair value of shares purchased at date of vesting. The cost to the Company of the discounted share purchase under the ESPP scheme is expensed in the financial statements of the Company on a straight line basis over the vesting period, based on the ultimate parent's estimate of the number of shares that will eventually vest.

3. Summary of significant accounting policies (continued)

3.10 Financial assets and liabilities

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through the income statement and statement of comprehensive income) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through the profit or loss are recognised immediately in the income statement and statement of comprehensive income.

3.11 Finance costs

Finance costs are charged to the income statement and statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

3.12 Interest income

Interest income is recognised in the income statement and statement of comprehensive income using the effective interest method.

3.13 Taxation

The charge or credit for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

3.14 Intangible assets

Intangible assets represent power rights which comprise initial payments to electricity suppliers which provide the right to receive electrical power to a site.

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Power rights are amortised on a straight line basis over the term of the site lease. The lease term is defined by the initial period of the lease and excludes any options to extend. The average lease term is 20 years.

3. Summary of significant accounting policies (continued)

3.15 Tangible fixed assets and depreciation

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold land and buildings	- Over the remaining period of the lease
Leasehold improvements	- Over the remaining period of the lease
Core systems	- 5-20 years
Fixtures, fittings and equipment	- 3-10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement and statement of comprehensive income.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

3.16 Capitalisation of finance costs and interest

Interest incurred on borrowings undertaken to finance assets in the course of construction is capitalised as part of the cost of the asset. Interest is capitalised on the average balance of assets in the course of construction on a monthly basis during the period prior to the asset being placed in service.

3.17 Asset retirement obligations

In accordance with the terms of a lease, the Company may be obligated to remove its specialised machinery and/or buildings from the leased premises at the end of the lease, or to compensate the lessor accordingly, such that the leased space is returned to its original condition. This obligation is evaluated when the Company enters into a lease agreement and key assumptions are reviewed annually. A corresponding asset is also created and depreciated over the period of the lease. To account for the long term nature a discount rate, based upon the incremental borrowing rate at the time the lease is executed, is applied.

3. **Summary of significant accounting policies (continued)**

3.18 Operating and finance leases

Operating lease rentals relating to colocation facilities are charged to cost of sales in the income statement and statement of comprehensive income on a straight-line basis over the period of the lease.

Premiums paid under operating leases are expensed on a straight-line basis over the period of the lease.

Benefits received as an incentive to sign operating leases for colocation facilities are charged to cost of sales in the income statement and statement of comprehensive income on straight-line basis over the term of the lease.

Assets acquired under finance leases including related lease premiums, are capitalised and the capital element of the lease rentals is included in creditors. Assets under finance leases are depreciated over the useful life of equivalent owned assets.

In accordance with IAS 17 lease classification is made at the inception of the lease. If at any time the lessee and the lessor agree to change the provisions of the lease, other than by renewing the lease, in a manner that would have resulted in a different classification of the lease under the criteria in paragraphs 7 to 12 if the changed terms had been in effect at the inception of the lease, the revised agreement is regarded as a new agreement over its term. However, changes in estimates, or changes in circumstances do not give rise to a new classification of a lease for accounting purposes. The main criteria considered for the classification of a lease as a finance lease as opposed to an operating lease is if at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset, in which case the lease is classified as a finance lease.

3.19 Investments

Investments acquired with the intention that they will be held for the long term are stated at cost less any provision for impairment. The carrying amounts of the Company's investments is reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication of impairment exists, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement and statement of comprehensive income. The recoverable amount of the Company's assets is greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risk specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

3.20 Debtors

Short term debtors are measured at fair value, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

3. Summary of significant accounting policies (continued)

3.21 Cash at bank and in hand

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

3.22 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.23 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the income statement and statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

3.24 IFRS 3 - Application of Predecessor accounting

For business combinations involving transactions with companies under common control, the Company has chosen to apply predecessor values method for accounting. Under this method, assets and liabilities acquired are recognised at their carrying value and the difference goes to equity.

3.25 Non-current assets (or disposal groups) held for sale

Assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The assets are stated at the lower of carrying amount and fair value less costs to sell.

4. Judgments in applying accounting policies and key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 addressed below.

(a) Useful economic lives of tangible assets
The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

(b) Impairment of debtors
The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience.

(c) Deferred period for installation revenue
The Company estimates an average period of which all customers expect to benefit from the installation. The current estimate is 54 months. This estimate is applied to all installation revenues.

5. Turnover

Turnover arises solely in the United Kingdom attributable to third party customer sales.

Turnover in current and prior years arose from the Company's principal activity.

6. Operating profit

The operating profit is stated after charging/(crediting):

	2016	*2015*
	£000	*£000*
Depreciation of tangible assets	**19,776**	*12,603*
Amortisation of intangible assets	**765**	*759*
Exchange (gain)/losses	**(65)**	*20*

All amounts are recognised in administrative expenses in the income statement and statement of comprehensive income.

7. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2016	*2015*
	£000	*£000*
Auditor fees payable to the Company's auditors	**120**	*97*

The company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group financial statements of the ultimate company.

8. Interest receivable and similar income

	2016 £000	2015 £000
Bank interest receivable	398	467
	398	467

9. Interest payable and similar expenses

	2016 £000	2015 £000
Intercompany interest payable	14,168	3,819
Finance charges on asset retirement obligations	62	125
Interest payable on Finance leases	2,677	2,634
Interest capitalised on construction in progress	(535)	(598)
	16,372	5,980

10. Other non-operating income

	2016 £000	2015 £000
Profit on sale of assets	26,598	-

On 1 April 2016, the Company sold one of its data centres (LD2) to a newly set up group company, TelecityGroup UK LON Limited. The consideration received was £30.0 million. The gain resulted from the transaction was £26.6 million.

11. Staff costs (including directors)

Staff costs, including directors' remuneration, were as follows:

	2016 £000	2015 £000
Wages and salaries	15,305	11,509
Social security costs	2,341	1,917
Other pension costs	485	404
Share based payment (note 26)	1,831	1,523
	19,962	15,353

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
Administration	39	30
Sales and marketing	40	33
Site management	112	84
	191	147

12. Remuneration of directors

	2016 £000	2015 £000
Directors' emoluments	1,171	835
Company contributions to defined contribution pension schemes	18	17
	1,189	852

One Director of the Company was remunerated through the Company, and the other Director was remunerated by Equinix (EMEA) B.V. and was not apportioned to the Company.

13. Tax on profit

	2016 £000	*2015 £000*
Corporation tax		
Current tax on profits for the year	-	*9*
Adjustments in respect of previous periods	(3)	*504*
Total current tax	(3)	*513*
Deferred tax		
Adjustments in respect of previous periods	990	*(148)*
Origination and reversal of timing differences - current year	(4,147)	*629*
Changes to tax rates	1,424	*(469)*
Total deferred tax	(1,733)	*12*
Tax on profit	(1,736)	*525*

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2015 - lower than)* the standard rate of corporation tax in the UK of 20% *(2015 - 20.25%)*. The differences are explained below:

	2016 £000	*2015 £000*
Profit before taxation	27,265	*5,776*
Profit before tax multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	5,453	*1,170*
Effects of:		
Expenses not deductible for tax purposes	634	*7*
Other income not subjected to tax	(5,486)	-
Adjustments in respect of previous periods	987	*356*
Changes to tax rates	1,424	*(469)*
Share option related differences	(47)	*(541)*
Tax recognised in other comprehensive income	-	*2*
Group relief for no consideration	(4,701)	-
Total tax charge/(credit) for the year	(1,736)	*525*

13. Tax on profit (continued)

Factors that may affect future tax charges

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation tax rate which decreased from 21% to 20% from 1 April 2015.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The future reductions in the rate of UK corporation tax will reduce the amount of any corporation tax payable by the Company in future years.

Deferred tax

The closing deferred tax asset at 31 December 2016 has been calculated at 17% specified blended rate reflecting the tax rate at which the deferred tax asset is expected to be utilized in future periods.

14. Intangible assets

	Power Rights £000
Cost	
At 1 January 2016	**17,642**
Transfer due to business acquisition	**1,133**
At 31 December 2016	**18,775**
Accumulated amortisation	
At 1 January 2016	**5,261**
Charge for the year	**765**
At 31 December 2016	**6,026**
Net book value	
At 31 December 2016	**12,749**
At 31 December 2015	*12,381*

Power rights represents amounts paid for the rights to receive electrical power for the Company's datacentres.

The transfers due to business acquisition represent the acquisition of power rights from TelecityGroup UK Limited. The net book value at the date of transfer was an amount of £1.1 million (note 29).

15. Tangible assets

	Assets in course of construction £000	Land and buildings £000	Lease hold improvements £000	Core systems £000	Fixtures, fittings, and equipment £000	Total £000
Cost or valuation						
At 1 January 2016	11,760	64,032	78,442	135,344	2,849	292,427
Additions	5,528	-	26,152	4,152	288	36,120
Transfer due to business acquisition	666	452	14,683	207,460	2,016	225,277
Reclassifications	(13,151)	-	9,976	2,764	411	-
At 31 December 2016	4,803	64,484	129,253	349,720	5,564	553,824
Accumulated depreciation						
At 1 January 2016	-	2,621	23,564	43,907	1,793	71,885
Charge for the year	-	1,649	5,058	11,888	1,181	19,776
At 31 December 2016	-	4,270	28,622	55,795	2,974	91,661
Net book value						
At 31 December 2016	4,803	60,214	100,631	293,925	2,590	462,163
At 31 December 2015	*11,760*	*61,411*	*54,878*	*91,437*	*1,056*	*220,542*

The transfers due to business acquisition represent the acquisition of tangible assets from TelecityGroup UK Limited. The net book value at the date of transfer was an amount of £225.3 million (note 29).

Land and building include assets held under finance leases which have a net book value of £40.8 million (2015: £41.7 million). The related depreciation charge on these assets for the year was £0.9 million (2015: £1.3 million).

Capitalised interest included in assets still under construction amounted to £0.5 million at the end of 2016 (2015: £0.6 million).

16. Investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2016	1,394
Additions	52,935
At 31 December 2016	54,329
Net book value	
At 31 December 2016	54,329
At 31 December 2015	*1,394*

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity	Country of incorporation	Registered office
Equinix (UK) Enterprise Limited	Ordinary	100 %	Provision of neutral data centre and hosting services	UK	Master House, 107 Hammersmith Road, London, W14 0QH

On 19 December 2016 Equinix (UK) Enterprises Limited allotted to its sole shareholder, Equinix (UK) Limited, 1 ordinary A share at a nominal value of £1 for a total consideration of £52.9 million. The increase of the cost of investment represents the subscription of the Company to the additional share issued during the year.

17. Assets held for sale

	2016 £000	*2015 £000*
Property, plant and equipment	-	*6,285*

On 1 April 2016, the Company sold one of its data centres (LD2) to a newly set up group company, TelecityGroup UK LON Limited. The consideration received was £30.0 million. The gain resulted from the transaction was £26.6 million (see note 10).

18. Debtors

	2016 £000	2015 £000
Amounts falling due after more than one year		
Other debtors	1,092	1,092
Prepayments and accrued income	417	5,196
	1,509	6,288
Amounts falling due within one year		
Trade debtors	42,623	17,986
Amounts owed by group undertakings	52,538	1,399
Other debtors	3,525	29
Prepayments and accrued income	4,678	926
	104,873	26,628

Other debtors due after more than one year comprise long-term rent deposits for leased colocation facilities.

Amounts owed by group undertaking are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

19. Cash at bank and in hand

	2016 £000	2015 £000
Cash at bank and in hand	8,391	335,622

20. Creditors: Amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	1,380	2,005
Amounts owed to group undertakings	322,450	432,465
Interest payable on loans from group undertakings	129	324
Obligations under finance lease and hire purchase contracts	7,479	2,000
Value added tax payable	11,062	1,203
Accruals and deferred income	20,057	16,626
	362,557	454,623

Amounts owed to group undertakings include a loan of £16.2 million on which interest is due at a rate of LIBOR 12 months plus 1.5% and the short term portion of a long-term loan amounting to £250.0 million on which interest is due at a rate of LIBOR 12 months plus 3.0% (see note 30). In 2015 amounts owed to group undertakings include loans of £394.0 million on which interest is due at a rate of LIBOR plus 2.5%. All other loans are unsecured, have no fixed date of repayment and are repayable on demand.

21. Creditors: Amounts falling due after more than one year

	2016 £000	*2015* *£000*
Net obligations under finance leases and hire purchase contracts	25,863	*20,177*
Amounts owed to group undertakings	358,862	*-*
Other creditors	3,524	*6,263*
Accruals and deferred income	7,209	*5,622*
	395,458	*32,062*

Accruals and deferred income includes deferred installation revenue of £7.2 million (2015: £5.6 million), which is recognised over the installation period.

Amounts owed by group undertakings include loans of £356.9 million on which interest is due at a rate of LIBOR 12 months plus 3.0%.

22. Provisions for liabilities

	Asset retirement obligations £000
At 1 January 2016	1,290
Charged to profit or loss	62
Transfer due to business acquisition (note 29)	2,248
At 31 December 2016	**3,600**

Asset retirement obligations

In accordance with the terms of leases on datacentre sites, the Company may be obliged to remove its specialised equipment from the leased premises at the end of the lease, or to compensate the lessor accordingly, such that the leased space is returned to its original condition. The provision is expected to be fully utilised at lease termination dates.

23. Deferred taxation

	2016 £000	2015 £000
At 1 January	5,269	5,255
Deferred tax - realised in current year	(2,722)	160
Share based payments - Equity	-	2
Deferred tax - transferred due to business acquisition (note 29)	19,971	-
Deferred tax - adjustments in respect of previous periods	990	(148)
At 31 December	23,508	5,269

The provision for deferred taxation is made up as follows:

	2016 £000	2015 £000
Accelerated capital allowances	23,826	5,617
Finance lease transitional adjustment	78	131
Lease premiums	-	49
Share based payments - Equity	-	2
Share based [ayments - Income statement and statememt of comprehensive income	(391)	(530)
Other timing differences	(5)	-
	23,508	5,269

24. Operating leases

Future minimum lease payments for:

	2016 £000	2015 £000
No later than 1 year	12,788	1,658
Later than 1 year no later than 5 years	48,781	2,964
Later than 5 years	240,254	-
	301,823	4,622

On 1 October 2016, the Company acquired all leasehold properties of TelecityGroup UK Limited (note 29).

25. Called up share capital

	2016 £000	*2015 £000*
Shares classified as equity		
Authorised		
40,000 (2015: 40,000) Ordinary shares of £1 each	**40**	*40*
Allotted, called up and fully paid		
20,001 *(2015 - 20,000)* Ordinary shares of £1 each	**20**	*20*

On 19 December 2016, the company subscribed for an additional ordinary share of £1 each for a total consideration of £64.2 million with £64.2 million of the excess of the consideration over the nominal value of the share being credited to the share premium reserves. The consideration was set-off of a loan in the total amount of £64.2 million owing by Equinix (UK) Limited to Equinix (EMEA) Holdings B.V.

26. Share based payments

Equinix, Inc. Incentive Plan

The Equinix Incentive Plan was introduced by Equinix, Inc. in the year 2000 and modified in 2001. These plans allow a committee of the Board of Equinix, Inc. to award Share options, Share Appreciation Rights and Restricted Stock Units (RSUs). No Share Appreciation rights are awarded to employees of the Company.

Employees of the Company are also eligible to participate in Equinix, Inc.'s 2004 Employee Share Purchase Plan (ESPP), which allows them to purchase shares in Equinix, Inc. at a discounted price.

The share compensation charge set out in note 11 is analysed as follows:

	2016 £000	*2015 £000*
Charge to Income statement and statement of comprehensive income		
Restricted stock units	**1,619**	*1,348*
Employee share purchase plan	**212**	*175*
	1,831	*1,523*

Share options in Equinix, Inc.

Options were granted with a fixed exercise price equal to no less than 85% of the fair market value of a common share on the date of the grant. The contractual life of an option is a maximum of 10 years.

No share options have been granted to Company employees since 2007 and no employees have share options at the end of 2014, all options under the scheme expired on 1 October 2014.

Where share options in the shares of the parent company are awarded to employees, the fair value of the options at the date of grant is charged to the income statement and statement of comprehensive income over the vesting period. There is no expense in the 2016 (2015: £nil) as all options vested in prior years.

26. Share based payments (continued)

Restricted Stock Units (RSUs) in Equinix, Inc.

Restricted stock units are granted to key employees and these equity awards generally have only a service condition. Restricted stock units are also granted to executives and these awards generally have a service and performance condition or a service and market condition. To date, any performance conditions contained in an equity award are tied to the financial performance of Equinix, Inc. or a specific region of Equinix, Inc. The probability of meeting these performance conditions are assessed on a quarterly basis. The majority of the equity awards vest over four years, although certain equity awards for executives vest over a range of two to four years.

The valuation of restricted stock units with only a service condition or a service and performance condition requires no significant assumptions as the fair value for these types of equity awards is based solely on the fair value of the Equinix, Inc. stock price on the date of grant. A Monte Carlo simulation option-pricing model is used to determine the fair value of restricted stock units with a service and market condition.

Movements in RSUs during 2016 and 2015 are reconciled as follows:

	2016	*2015*
RSUs Outstanding 1 January	**23,060**	*25,292*
RSUs granted	**10,643**	*8,866*
RSUs Released	**(11,050)**	*(11,254)*
RSUs Cancelled	**(1,334)**	*(861)*
RSUs Transferred	**(1,749)**	*1,017*
RSUs Outstanding at 31 December	**19,570**	*23,060*

The weighted average contractual life of RSUs outstanding at year end was 29 months (2015: 34 months).

Employee Share Purchase Plan (ESPP) in Equinix, Inc.

Staff contributions for the purchase of shares through the ESPP are deducted monthly from payroll and used for the purchase of Equinix, Inc. shares at 15% discount fair value (as measured by the lower of the opening and closing share prices for the six-month cycle). The expense of £0.2 million (2015: £0.2 million) represents the 15% discount to the fair value of the shares purchased, which is borne by the Company over the vesting period.

27. Capital commitments

There were capital commitments of £5.3 million at 31 December 2016 (2015: £20.4 million).

28. Pension obligations

Employees of the Company are eligible to participate in a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The pension charge represents contributions payable by the Company to the fund and amounted to £0.5 million (2015: £0.4 million). Contributions payable at the year-end amounted to £nil (2015: £nil).

29. Transfer and acquisition of assets and liabilities

Acquisition of assets from TelecityGroup International Limited

On 1 October 2016, TelecityGroup International Limited assigned its Cloud IX contracts to the Company for an amount of £0.2 million. The transaction was settled in cash.

Acquisition of assets and liabilities from TelecityGroup UK Limited

On 1 October 2016, Equinix (UK) Limited acquired the assets and liabilities of TelecityGroup UK Limited as per the QRS assets transfer agreement for the amount of £873.7 million satisfied by an intercompany payable loan note. On the same day, Equinix (UK) Limited sold managed services contracts acquired from TelecityGroup UK Limited to Equinix (UK) Enterprises Limited for £50.6 million satisfied by an intercompany receivable loan note.

The Company is applying the predecessor accounting method for acquisitions of companies under common control (see note 3.24). Therefore, the amount of £618.6 million representing the difference between the historical net book value and the net purchase consideration of £823.1 million has been debited to Retained Earnings.

Assets and liabilities acquired:

	Net book value 2016 £000
Intangible assets	1,133
Tangible assets	225,277
Debtors	26,066
Cash and bank	6,949
Creditors - Other	(32,675)
Asset retirement obligation	(2,248)
Deferred tax	(19,971)
Net Assets	**204,531**
Satisfied by Intercompany payable	823,097
Predecessor accounting reserve	618,566

On 31 December 2016 Equinix, Inc. agreed to compensate the Company for any excess value in acquisition price taking into account local GAAP and transfer pricing rules and relating to the purchase of the business of TelecityGroup UK Limited amounting to £273.1 million.

30. Post balance sheet events

On 7 January 2017, the Company entered into a purchase agreement with IO International Holding LLC for the purchase of the entire issued share capital of IO Europe Limited for approximately £32.0 million in cash. The transaction closed on 3 February 2017.

The directors of the ultimate parent company, Equinix, Inc have decided to waive an amount of £250.0 million of the long-term loan payable between the Company and Equinix, Inc. to return to a positive equity position before the end of 2017.

31. Immediate and ultimate parent undertakings

The immediate parent undertaking is Equinix (EMEA) Holdings B.V., a company incorporated in the Netherlands, with registered office at Amstelplein 1, 1096 HA Amsterdam. The ultimate parent undertaking and controlling party is Equinix, Inc. a company incorporated in the United States of America.

Equinix, Inc. is the ultimate parent undertaking of the largest and smallest group in which the results of the Company are consolidated. Financial statements of Equinix, Inc. are available from One Lagoon Drive, 4th floor, Redwood City, CA 94065, USA.