Registered number:
03830643

TELSTRA LIMITED

Annual Report and Financial Statements

For the Year Ended June 30, 2017

TELSTRA LIMITED

Company Information

Directors	M Gould D Rogerson
Company secretary	M Gould
Registered number	03830643
Registered office	2nd Floor, Blue Fin Building 110 Southwark Street London SE1 0TA

TELSTRA LIMITED

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Strategic Report
For the Year Ended June 30, 2017

Business review

The directors believe the company is well positioned to perform in the future.

Revenue increased by £8,036 thousands equivalent to 11% from £76,407 thousands in 2016 to £84,443 thousands in 2017. The revenue growth was mainly generated from new contracts entered during the year for hosting and data services with Standard Chartered Bank, Perform Progressive Sports Group and Addrex.

Gross profit increased by £3,556 thousands from £47,664 thousands in 2016 to £51,220 thousands in 2017.

Admin expenses increased by 3% from £44,743 thousands in 2016 to £46,267 thousands in 2017.

Shareholders' funds have increased by £2,724 thousands mainly due to increase in profitability.

Principal risks and uncertainties

Competitive Risk

Competitive risks are driven by a changing market environment and the continued competition in the UK and international telecommunications markets. This trend is expected to continue, but it is mitigated by management's ongoing review of the market and the company's ability to differentiate its service model as reflected in improving Net Promoter Scores - a system to get customers feedback.

Legislative Risk

There currently appears to be no significant legislative risk for the business.

Foreign Exchange Risk

The company makes supplies and is supplied in foreign currencies. Debtors and Creditors are assessed regularly and any currency exposure is reviewed. Where appropriate customer contracts make provision for a change in price if the currency deviates more than a set amount from the base.

Credit risk

The directors ensure that a strict policy of credit checking is employed for all new customers and that all debts are regularly reviewed.

This report was approved by the board on March 27, 2018 and signed on its behalf.

M Gould
Director

Directors' Report
For the Year Ended June 30, 2017

The directors present their annual report and the audited financial statements for the year ended June 30, 2017.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on 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. They 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.

Principal activity

The principal activity of the company is to provide business to business telecommunication services for domestic and international companies.

Results and dividends

The profit for the year, after taxation, amounted to £2,724 thousands *(2016 - loss £893 thousands).*

The directors do not recommend the payment of a dividend (2016 - £ nil).

Directors

The directors who served during the year and upto the date of signing the financial statements were:

M Gould
D Rogerson

Future developments

The directors aim to maintain the current management policies and do not anticipate any significant change in the continuing activities of the company in the foreseeable future.

Directors' Report (continued)
For the Year Ended June 30, 2017

Going concern

The company has been a provider of telecommunication services and will continue to provide these services during the course of the following year. The company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The Directors do not consider the net current liability position of the company to be a going concern issue as the position is driven by amounts owed to Group undertakings which are under the direct control of the company. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Additionally, the company has received a letter of parental support from Telstra Corporation, its ultimate parent company, which confirms that Telstra Corporation will continue to provide financial support to the company for a period of twelve months from the signing of the Auditor's Report in the financial statements.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the directors is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the directors has taken all the steps that ought to have been taken as a directors in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, Ernst & Young 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.

M Gould
Director
Date: March 27, 2018

Independent Auditor's Report to the Members of Telstra Limited

Opinion

We have audited the financial statements of Telstra Limited for the year ended 30 June 2017 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Independent Auditor's Report to the Members of Telstra Limited

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Ernst & Young LLP

Neil Cullum (Senior statutory auditor)

for and on behalf of
Ernst & Young LLP (Statutory Auditor)
London

Date: 29/3/2018

Statement of Comprehensive Income
For the Year Ended June 30, 2017

	Note	2017 £000	*2016 £000*
Turnover	2	**84,443**	*76,407*
Cost of sales		**(33,223)**	*(28,743)*
Gross profit		**51,220**	*47,664*
Administrative expenses		**(46,267)**	*(44,743)*
Operating profit	3	**4,953**	*2,921*
Income due to forgiveness of intercompany liability		**1,635**	*-*
Interest receivable	7	**45**	*28*
Interest payable	8	**(3,436)**	*(3,777)*
Profit/(Loss) before tax		**3,197**	*(828)*
Taxation	9	**(473)**	*(65)*
Profit/(Loss) for the financial year		**2,724**	*(893)*
Total comprehensive income/(loss) for the year		**2,724**	*(893)*

The notes on pages 10 to 31 form part of these financial statements.

TELSTRA LIMITED
Registered number:3830643

Balance Sheet
As at June 30, 2017

	Note		2017 £000		2016 £000
Non-current assets					
Intangible assets	10		**23,342**		*23,342*
Tangible assets	11		**46,359**		*48,228*
Investments	12		**75,288**		*69,597*
			144,989		*141,167*
Current assets					
Debtors: amounts falling due within one year	13	**13,821**		*11,312*	
Cash	14	**13,301**		*12,127*	
		27,122		*23,439*	
Creditors: amounts falling due within one year	15	**(92,999)**		*(97,841)*	
Net current liabilities			**(65,877)**		*(74,402)*
Total assets less current liabilities			**79,112**		*66,765*
Creditors: amounts falling due after more than one year	16		**(31,300)**		*(31,542)*
			47,812		*35,224*
Provisions for liabilities	19	**(269)**		*(345)*	
			(269)		*(345)*
Net assets			**47,543**		*34,878*
Capital and reserves					
Called up share capital	20		**86,348**		*76,444*
Share premium account			**179**		*142*
Retained earnings			**(38,984)**		*(41,708)*
			47,543		*34,878*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on March 27, 2018

M Gould
Director

Statement of Changes in Equity
For the Year Ended June 30, 2017

	Called up share capital	Share premium account	Retained earnings	Total equity
	£000	£000	£000	£000
At July 1, 2015	**76,444**	**120**	**(40,815)**	**35,749**
Loss for the year	-	-	(893)	(893)
Total comprehensive loss for the year	**-**	**-**	**(893)**	**(893)**
Share-based payments	-	22	-	22
At June 30, 2016	**76,444**	**142**	**(41,708)**	**34,878**
Profit for the year	-	-	2,724	2,724
Total comprehensive income for the year	**-**	**-**	**2,724**	**2,724**
Issue of share capital	9,904			9,904
Share-based payments	-	37	-	37
At June 30, 2017	**86,348**	**179**	**(38,984)**	**47,543**

1. Accounting policies

1.1 Basis of preparation of financial statements

Telstra Limited is a limited liability company incorporated in England and Wales. Its registered address is 2nd Floor, Blue Fin Building, London SE1 0TA.

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

The company has taken advantage of the exemption in s401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements, as it is a wholly owned indirect subsidiary of Telstra Corporation Limited which prepares consolidated financial statements in which the company is included.

The financial statements are presented in the company's functional currency of pounds Sterling, rounded to the nearest thousand (£000) unless otherwise stated.

1. Accounting policies (continued)

1.2 *Financial reporting standard 101 - reduced disclosure exemptions*

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 requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
    - *paragraph* 79(a)(iv) of IAS 1;
    - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
    - paragraph 118(e) of IAS 38 Intangible Assets;
    - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
    - paragraph 50 of IAS 41 Agriculture
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- 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
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

1. Accounting policies (continued)

1.3 Going concern

The company has been a provider of telecommunication services and will continue to provide these services during the course of the following year. The company has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The Directors do not consider the net current liability position of the company to be a going concern issue as the position is driven by amounts owed to Group undertakings which are under the direct control of the company. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Additionally, the company has received a letter of parental support from Telstra Corporation, its ultimate parent company, which confirms that Telstra Corporation will continue to provide financial support to the company for a period of twelve months from the signing of the Auditor's Report in the financial statements.

1.4 Revenue recognition

Revenue represents the fair value of the consideration received or receivable. Revenue is recorded net of sales returns, trade allowances, discounts, sales incentives, duties and taxes. We generate revenue primarily from the following business activities:

Telecommunication services
Revenue from:
• calls is earned on completion of the call
• internet and data is earned on a straight-line basis over the period of service provided
Installation and connection fees that are not considered to be separate services are deferred and recognised over the contract term.

Interest income
Interest income is recorded on an accrual basis.

1. Accounting policies (continued)

1.5 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

When a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the company includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probably and can be measured reliably. However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. Changes in the estimated value of contingent consideration arising on business combinations completed as a consequence result in a change in the carrying value of the related goodwill.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading as it is not in accordance with FRS101.

1.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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 property and improvements	- Three to twenty five years
Plant & machinery	- Three to ten 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 Statement of Comprehensive Income.

1. Accounting policies (continued)

1.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

1.8 Trade debtors

Trade debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

1.9 Trade creditors

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

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

1.10 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash at bank presented in the Statement of Comprehensive Income within 'Administrative expenses'.

1.11 Share based payments

The company recognises a capital contribution for all share based remuneration awarded to employees. The capital contribution is determined with reference to the fair value at grant date of the equity instruments issued by Telstra Corporation Limited, the ultimate parent undertaking.

1. Accounting policies (continued)

1.12 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.13 Finance leases: the company as lessee

Assets held under finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

1.14 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement.

1.15 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

1.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation; it is probable that a transfer of economic benefit will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where material, expected future cash flows are discounted to present value using a pre-tax rate reflective of the risks to the liability.

Provisions are charged as an expense to the 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. Where discounting occurs, the increase in the provision resulting from the unwind of the discount is recognised as a future cost.

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

1. Accounting policies (continued)

1.17 Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity of it related to items that are credited or charged directly to equity. Otherwise income tax is recognised in the Statement of Comprehensive Income.

2. Turnover

An analysis of turnover by class of business is as follows:

	2017 £000	2016 £000
Voice	812	249
Hosting & Security	69,426	62,361
Intercompany revenue	14,205	13,797
	84,443	76,407

Analysis of turnover by country of destination:

	2017 £000	2016 £000
United Kingdom	57,637	55,485
Rest of the world	26,806	20,922
	84,443	76,407

Notes to the Financial Statements
For the Year Ended June 30, 2017

3. Operating profit

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

	2017 £000	*2016 £000*
Depreciation of tangible fixed assets		
- owned by the company	**5,899**	*5,397*
- held under finance leases	**1,262**	*1,262*
Exchange differences	**56**	*(394)*
Operating lease rentals		
- plant and machinery	**2,487**	*2,415*
- land and buildings	**1,886**	*2,215*

4. 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:

	2017 £000	*2016 £000*
Fees for the audit of the company	**140**	*155*
Auditors' remuneration - non-audit services	**-**	*8*
	140	*163*

5. Staff costs

Staff costs including director's remuneration, were as follows:

	2017 £000	2016 £000
Wages and salaries	16,754	15,742
Social security costs	2,342	2,322
Cost of defined contribution pension scheme	673	610
	19,769	18,674

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

	2017 No.	2016 No.
Sales	64	66
Admin	123	117
	187	183

6. Directors' remuneration

The aggregate remuneration paid by the company for qualifying services by the directors was as follows:

	2017 £000	2016 £000
Remuneration	181	242
Contributions to defined contribution pension scheme	14	14
	195	256

One of the directors was remunerated by a fellow group company. In the opinion of the directors, it is not practicable to apportion his remuneration between qualifying services to the company and other services to the Telstra Group.

7. Interest receivable

	2017 £000	2016 £000
Interest receivable from group companies	19	28
Interest receivable from deposits	26	-
	45	28

8. Interest payable and similar charges

	2017 £000	2016 £000
Group interest payable	541	911
Bank interest payable	2	-
Interest payable on finance leases	2,893	2,866
	3,436	3,777

9. Taxation

	2017 £000	2016 £000
Corporation tax		
Current tax on profit/loss for the year	582	113
Total current tax	582	113
Deferred tax		
Origination and reversal of temporary differences	(109)	(48)
Total deferred tax	(109)	(48)
Taxation	473	65

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2016 - higher than)* the standard rate of corporation tax in the UK of 19.75% *(2016 - 20%)*. The differences are explained below:

	2017 £000	*2016 £000*
Profit/(Loss) on ordinary activities before tax excluding income From forgiveness of intercompany liability	**1,562**	*(828)*
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.75% (2016 - 20%)	**309**	*(166)*
Effects of:		
Expenses not deductible for tax purposes	**164**	*131*
Adjustments to tax charge in respect of prior years	-	*100*
Total tax charge for the year	**473**	*65*

Factors that may affect future tax charges

The UK corporation tax rate has been reduced from 20% to 19% from April 1, 2017. A further reduction from 19% to 18% will start from April 1, 2020.

10. Intangible assets

	Goodwill
	£000
Cost / Net book value	
At June 30, 2017	23,342
At June 30, 2016	*23,342*

11. Tangible fixed assets

	Leasehold properties & improvement £000	Plant & machinery £000	Total £000
Cost			
At July 1, 2016	**45,658**	**39,183**	**84,841**
Additions	**253**	**5,086**	**5,339**
Disposals	**(293)**	**(75)**	**(368)**
At June 30, 2017	**45,618**	**44,194**	**89,812**
Depreciation			
At July 1, 2016	**15,764**	**20,849**	**36,613**
Charge for the year on owned assets	**669**	**5,230**	**5,899**
Charge for the year on financed assets	**1,262**	**-**	**1,262**
Disposals	**(293)**	**(28)**	**(321)**
At June 30, 2017	**17,402**	**26,051**	**43,453**
Net book value			
At June 30, 2017	**28,216**	**18,143**	**46,359**
At June 30, 2016	*29,894*	*18,334*	*48,228*

The carrying value of tangible fixed assets held under finance leases at June 30, 2017 was £25,812,165 *(2016 - £27,073,860)*.

12. Investments

	Investments in subsidiary companies £000
Cost or valuation	
At July 1, 2016	**69,597**
Additions	**10,757**
Disposals	**(5,066)**
At June 30, 2017	**75,288**
Net book value	
At June 30, 2017	**75,288**
At June 30, 2016	*69,597*

On June 2, 2017 the company acquired 100% of the issued share capital of Company 85 Limited and its wholly owned subsidiary DVS Channel Services Limited for cash consideration of £10,751 thousands, which also include deferred consideration of £847 thousands.

Subsidiary undertakings

The following were subsidiary undertakings of the company at June 30, 2017:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Cordoba Holdings Limited	Jersey	Ordinary Shares	100%	Non- Trading
PSINet Datacentre UK Limited	England and Wales	Ordinary Shares	100%	Non- Trading
Inteligen Communications Limited	England and Wales	Ordinary Shares	100%	Non- Trading
Dr Foster Intelligence Limited	England and Wales	Ordinary Shares	100%	Non- Trading
Dr Foster Limited	England and Wales	Ordinary Shares (Indirect holding)	100%	Provision of health service information
Dr Foster Research Limited	England and Wales	Ordinary Shares (Indirect holding)	100%	Non- Trading
Dr Foster Inc	United States of America	Ordinary Shares (Indirect holding)	100%	Non- Trading
Company 85 Limited	England and Wales	Ordinary Shares	100%	Enterprise transformations provider
DVS Channel Services Limited	England and Wales	Ordinary Shares (Indirect holding)	100%	Non-trading

The following subsidiary entities were liquidated during the year:

- Cable Telecommunication Limited (liquidated on 1 November 2016)
- Telstra (Cable Telecom) Limited (liquidated on 1 November 2016)
- Telstra (CTE) Limited (liquidated on 1 November 2016)
- Telstra (PSINet) (liquidated on 1 November 2016)
- London Hosting Centre Limited (liquidated on 24 March 2017)
- PSINet Jersey Limited (liquidated on 4 April 2017)
- PSINet Hosting Centre Limited (liquidated on 4 April 2017)

Notes to the Financial Statements
For the Year Ended June 30, 2017

13. Debtors: amounts due within one year

	2017 £000	*2016* *£000*
Trade debtors	**2,588**	*4,075*
Amounts owed by group undertakings	**616**	*40*
Other debtors	**1,255**	*970*
Prepayments and accrued income	**8,466**	*5,440*
Deferred taxation (Note 18)	**896**	*787*
	13,821	*11,312*

All amounts due from group undertakings are unsecured and repayable on demand. Interest accrues on these amounts, excluding group relief, at a rate of 1.25% per annum.

14. Cash

	2017 £000	*2016* *£000*
Cash at bank	**13,301**	*12,127*
	13,301	*12,127*

15. Creditors: amounts falling due within one year

	2017 £000	*2016* *£000*
Trade creditors	**3,213**	*2,557*
Amounts owed to group undertakings	**67,553**	*73,807*
Taxation and social security	**1,184**	*1,356*
Obligations under finance lease contracts	**1,428**	*897*
Other creditors	**159**	*280*
Accruals and deferred income	**19,462**	*18,944*
	92,999	*97,841*

16. Creditors: amounts falling due after more than one year

	2017 £000	*2016 £000*
Obligations under finance lease contracts	**31,300**	*31,542*
	31,300	*31,542*

17. Obligation under finance leases

The company's London Hosting Centre is subject to a finance lease arrangement. The lease has a renewal option but no purchase option. Future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2017 £000	*2016 £000*
Within one year	**2,017**	*1,949*
Between 1-2 years	**2,766**	*2,672*
Between 2-5 years	**8,892**	*8,591*
Over 5 years	**63,632**	*66,699*
	77,307	*79,911*
Less: future finance charges	**(44,579)**	*(47,472)*
Total	**32,728**	*32,439*

	2017 £000	*2016 £000*
Liabilities		
Within one year	**1,428**	*897*
After one year	**31,300**	*31,542*
	32,728	*32,439*

18. Deferred taxation

	2017 £000	*2016 £000*
At beginning of year	**787**	*738*
Credited to statement of comprehensive income	**109**	*49*
At end of year	**896**	*787*

The deferred tax asset is made up as follows:

	2017 £000	*2016 £000*
Accelerated capital allowances	**879**	*754*
Pension surplus	**17**	*33*
	896	*787*

19. Provisions

	Onerous Lease Provision £000	Dilapidation Provision £000	Other provision £000	Total £000
At July 1, 2016	**192**	**153**	**-**	**345**
Charged to statement of comprehensive income	**-**	**-**	**92**	**92**
Utilised in year	**(168)**	**-**	**-**	**(168)**
At June 30, 2017	**24**	**153**	**92**	**269**

Onerous Lease Provision
The provision mainly relates to onerous contracts for property leases in Jersey which terminated June 2016.

Dilapidations Provision
The provision relates to dilapidation costs for Blue Fin property, which is expected to be utilised at the end of the lease in 2025.

Other provision
Other provision comprises restructuring costs, which is expected to be utilised in the 2018 financial year.

20. Share capital

	2017 £000	*2016 £000*
Authorised		
88,000,000- Ordinary Shares of £1 each	**88,000**	*88,000*
Allotted, called up and fully paid		
76,444,486 - Ordinary Shares of £1 each	**76,444**	*76,444*
9,903,842 -Ordinary Share of £1 each allotted during the year	**9,904**	-
86,348,328 - Ordinary Shares of £1 each	**86,348**	*76,444*

21. Share based payments

The company's ultimate holding company, Telstra Corporation Limited, operates a number of different short and long term incentive plans for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of the Telstra group. The company records the share based expense as a further investment in Telstra Limited and correspondingly further equity issued to its parent company Telstra Holdings Pty Ltd.

The nature and relevant details of existing plan that Telstra Limited employees participated are disclosed below:

Employee Share Plan (ESP) restricted share
Pursuant to the ESP provided in financial years 2014, eligible participants are granted restricted shares of Telstra Corporation Limited at no cost. The shares are held by the Telstra Growthshare Trust on behalf of employees until the restriction period ends. During the restriction period, employees are entitled to exercise the voting rights attached to the shares and to receive dividends on the shares. The shares are released from trust on the earlier of three years from the date of allocation or the date on which the participating employee ceases relevant employment. There are no performance hurdles for these Restricted Shares. The fair value of the Restricted Shares is determined based on the market value of the ordinary shares of Telstra on the date of grant.

International Employee Share Plan restricted shares
Pursuant to the International ESP provided in financial years 2017, 2016 and 2015, eligible employees are granted restricted shares of Telstra Corporation Limited at no cost. The shares are held by the Telstra Growthshare Trust on behalf of employees until the restriction period ends. During the restriction period, employees are entitled to exercise the voting rights attached to the shares and to receive dividends on the shares. The shares are released from trust on the earlier of three years from the date of allocation or the date on which the participating employee ceases relevant employment because of death or total and permanent disablement. If relevant employment ceases before the three year restriction period is over for any other reason, the employee will forfeit all of the shares that have been allocated to them. The fair value of the Restricted Shares is determined based on the market value of the ordinary shares of Telstra on the date of grant.

Summary of movements and further information regarding each type of ESP that was outstanding during the year is as follows:

	ESP 2017	ESP 2016	ESP 2015	ESP 2014
Allocation date	24-Feb-17	26-Feb-16	27-Feb-15	28-Feb-14
End date	24-Feb-20	26-Feb-19	27-Feb-18	28-Feb-17
Exercise price	nil	nil	nil	nil
Fair value	A$4.85	A$5.24	A$6.50	A$5.10
Outstanding at 1 July 2016	-	19,300	11,600	8,900
Granted during the year	17,100	-	-	-
Forfeited during the year	(300)	(2,200)	(2,200)	-
Exercised during the year	-	-	-	(8,900)
Outstanding at 30 June 2017	16,800	17,100	9,400	-
Weighted average share price at date of exercise	-	-	-	A$4.87

22. Commitments under operating leases

The company has entered into operating leases on certain properties and equipment. The majority of contracts have a duration from 1 to 3 years, with option to renew before the expiry of the lease term. The lease contract for the Blue Fin office has been renewed for another 5 years till 2025, with no option for renewal nor escalation clauses. The contract for the Woking Hosting Centre property lease will expire in 2021, with an option to extend for a further period of 12 years and a fixed escalation of 3% per annum. At June 30, 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017	*2016*
	£000	*£000*
Not later than 1 year	**824**	*37*
Later than 1 year and not later than 5 years	**527**	*1,590*
Later than 5 years	**1,117**	*362*
	2,468	*1,989*

23. Other financial commitments

The company has a financial commitment with an annual value of £2,944,112 (2016: £2,858,362) relating to equipment charges at Woking Hosting Centre.

24. Controlling party

The company is a wholly owned subsidiary of Telstra Global Limited, a company incorporated in the United Kingdom. The ultimate parent undertaking is Telstra Corporation Limited, a company incorporated in Australia.

Group financial statements are drawn up by Telstra Corporation Limited and may be obtained from: Corporate Secretary, Telstra Corporation Limited, 242 Exhibition Street, Melbourne, Victoria 3000, Australia.