TELEHOUSE INTERNATIONAL CORPORATION OF EUROPE LTD

ANNUAL REPORT

For the year ended 31 March 2019

Company registration number: 2138407

TELEHOUSE INTERNATIONAL CORPORATION OF EUROPE LTD

ANNUAL REPORT

for the year ended 31 March 2019

CONTENTS

TELEHOUSE INTERNATIONAL CORPORATION OF EUROPE LTD

OFFICERS AND PROFESSIONAL ADVISERS

Executive Directors	K. Sakai – Managing Director K. Ohno Y.Shiozaki (resigned 31 March 2019) H. Soshi (resigned 2 April 2018) H.Kimura (appointed (1 April 2019)
Registered office	Coriander Avenue London E14 2AA
Registered number	2138407
Bankers	Barclays Bank PLC Mizuho Corporate Bank Limited Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ Limited
Solicitors	Eversheds LLP 1 Wood Street London EC2V 7WS
Independent Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

The directors submit their annual report and the audited consolidated and company financial statements of Telehouse International Corporation of Europe Ltd ("Telehouse", "the Group") for the year ended 31 March 2019.

Principal activities and strategy

Established in 1989, Telehouse is a pioneering carrier-neutral data centre colocation and ICT solutions provider, with headquarters in London, UK. Telehouse is an owner and operator of premium data centre facilities, providing connectivity and managed ICT solutions to over 3000 customers from 40 data centre facilities worldwide. Telehouse is the data centre subsidiary of KDDI Corporation, a leading Japanese telecommunications and ICT solutions provider and Global Fortune 300 company with 100 offices in more than 60 cities around the world.

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

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

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

Business review

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

Telehouse delivered profit before tax of £82.6m in the year ended 31 March 2019 (2018: £75.3m). This profit has been achieved by a good revenue performance and careful cost management. Revenue increased 10% on the year to March 2019. The growth in revenue was driven by the continued development and increased operational capacity of the new North Two facility at Docklands. The fit out of a further two floors in North Two was completed and these were made available to customers during the course of the year. Furthermore investment in power capacity at the Docklands campus and Paris Voltaire campus has enabled further datacentre sales, as well as strong growth in interconnections services and the Paris cloud service. Strong procurement governance has continued to support strong cost management.

Cash generated by the Group from operating activities was £81.3m (2018: £51.4m) in the year. Due to the nature of the data centre business, cash flows are cyclical. Telehouse utilises a European group cash pooling agreement with KDDI Europe Limited (a UK registered subsidiary of the global parent company KDDI Corporation). This method of cash management within the Group has reduced interest bearing debt as all surplus cash held is utilised. During the year short-term loans drawn were £70.0m (2018: £0.9m) and maximum deposits placed were £20.1m (2018: £57.7m).

Investment cash flow has been by way of both short and long-term loan facilities provided by the EU cash pooling agreement administered by KDDI Europe Limited which has been utilised since January 2015. During the year no long term loans were drawn (2018: £nil). As at 31 March 2019, borrowing facilities available but undrawn, were £0.2m (2018: £70.0m).

Capital expenditure related to the acquisition of freehold land and Grove Asset S.A.R.L. 3, an asset management company, and continuous site and infrastructure improvements as well as development of new products and services across London (£93.6m) and Paris (£6.0m).

Total net debt increased by £38.0m to £78.4m during the 12 month period from 1 April 2018. This increase is due to short term loans being drawn under the cash pooling arrangement in relation to the acquisition of Freehold land and Grove Asset S.A.R.L 3, in June 2018. The remaining debt is made up of long term loans issued by KDDI Europe Limited in relation to the construction of the North Two. These loans are for terms between 1 and 5 years, with a remaining balance of £29.0m (London) and £nil (Paris) as at 31 March 2019. The repayment schedule for these loans commenced in 2018 and continues until 2021. The cash pooling agreement limits are set and agreed by the Board of Directors each year, and are renewed annually. This ensures that cash is utilised across the Group effectively.

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

Future prospects and developments

As the colocation market matures, competition continues to remain aggressive as Europe opens its doors to US colocation service providers expanding into new markets and placing their stakes in the ground.
Connectivity will continue to lead the charge as enterprises embrace digital transformation, in their pursuit of increased efficiency and speed to market. This in turn is driving the movement towards Hybrid IT, a combination of on-premise or in-house IT and cloudbased services. Gartner predicts that Hybrid IT will become the standard during 2019, providing the infrastructure for enterprises to extend their architecture across multiple platforms and geographic regions.

Market Research indicates that due to organisations modernising their IT infrastructure to support cloud, hosted or Software as a Service (Saas) enviroments, the need for physical space within colocation facilities, in addition to access to leading public cloud services where they can leverage technologies such as Artificial Intelligence (AI) and the Internet of Things (IoT), continues to increase. The requirement is often for these organisations to be located in colocation facilities that offer can aid in overcoming data soverignty issues, offer multiple locations and be located close to the source of their data and applications (The Edge) and offer multiple connectivity options.

Telehouse continues to meet these demands with over 530 connectivity partners flowing into its London Docklands campus, including peering services with the London Internet Exchange (LINX) and direct access to leading cloud players such as Amazon Web Services and Microsoft Azure ExpressRoute. Telehouse London is now the only colocation service provider based in London to offer a resilient route to Microsoft Azure data centre locations thorugh Microsoft ExpressRoute London2 based at the Telehouse London Docklands campus.

Telehouse will also meet the growing demand for colocation space in London with the further build out of Telehouse North Two. The final two floors of North 2 will be released during 2019.
To manage future demand in the UK, Telehouse has acquired freehold land. Outline planning permission has been granted to develop a new datacentre facility on this land.

Principal and financial risks

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

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

The Group's net debt is financed by KDDI Europe Limited, a UK registered subsidiary of KDDI Corporation, on interest rates varying between 0.9% to 1.5% (London).

The cost of electricity represents 24% of total operating cost (2018: 22%), and this represents a slight increase against the proportion for the year ended 31 March 2018. This higher level is due to increased consumption resulting from the increasing customer base in North Two. The directors remain aware that the volatility of the energy markets has a significant impact on the profitability of the business, and cost and carbon management will continue to be given due importance.

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

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

Key performance indicators

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

	2018 Target	Year ended 31 March 2019	Year ended 31 March 2018
Revenue (1)	£163m	£163m	£148m
Net debt (2)	£46.0m	£78.4m	£40.4m
Pipeline/sales forecast to year end (3)		2.1%	2.4%

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

Revenue growth was in line with expectations from increased operational capacity of the new North Two facility in the London Dockland campus, and the Paris Magny facility, which has resulted in an increase in sales, as well as growth in additional services, such as the interconnection service.

Net debt was above the target maximum level by £32.4m, due to increased short term borrowing to fund the acquisition of Grove Asset. The Group's long term net debt requirements, which are carefully planned and executed, are financed by KDDI Europe Limited. The Group reports its cash activity to its parent on a monthly basis and bi-annually reports a 5 year cash forecast plan.

The higher sales pipeline at the end of the prior year was representative of the increased space available for sale within the North Two facility in London. At 31 March 2019 this space is now mostly occupied, therefore the pipeline at the end of the current year is lower. Telehouse continues to construct and fit out new space within the North Two and other existing facilities to ensure that its future growth opportunities are maximised.

Results and dividends

The profit for the financial year transferred to reserves was £66.4m (2018: £57.2m). Shareholders equity at the end of the year was £419.8m (2018: £376.7m). During the year dividends of £19.8m (2018: £14.2m) were paid.

Environmental matters

Telehouse is working to embed environmental sustainable best practices in our operations and concentrating business resources in areas which are seen as high risk or have significant carbon emissions, and where we can make the most significant environmental improvements across the business. We strive to adopt the highest standards and behaviours across our operations to enhance energy efficiency, competitiveness and to reduce our environmental impact.

We are committed to provide an excellent customer service experience and to conduct business in an ethical, social and environmentally responsible manner. We are proactive and committed to continually improve our overall environmental and energy performance by establishing an environmental strategy, setting objectives and targets. The strategy approved in 2018 is focused on climate change action, energy efficiency and green procurement which support the carbon reduction ambitions of many of our stakeholders. Telehouse is sourcing energy for its operation from renewables sources. We are implementing an action plan to achieve our goals. Therefore the work continues in 2019.

We acknowledge that the nature of our industry can have a significant impact on energy consumption and detrimental environmental impact on our natural resources. However, the growth in cloud, virtualisation and innovative cooling technologies are contributing towards data centre efficiency. Industry experts recommend encouraging first and foremost efficient use of IT devices, as they can turn over quickly and deliver rapid improvements. Telehouse customers benefit from housing their IT infrastructure with an efficient and resilient data centre facility that provides a portfolio of energy efficient hardware and the world's first multi-storey indirect adiabatic cooling system, designed to BREEAM Excellent standard in the new Telehouse North Two.

Carbon Portfolio Management

The climate change framework for data centres is driven by two key objectives: control and reduction of carbon emissions and energy efficiency. Telehouse has remained committed to reduce carbon footprint by following the sound carbon management strategies, implementing energy efficiency best practices, purchasing low carbon electricity and ensuring compliance with all the external reporting obligations.

In October 2014, Telehouse entered into a Climate Change Agreement (CCA) with the Environment Agency. Targets have been met, and we remain focused on the implementation of energy efficiency projects year on year.

In November 2017, Telehouse entered into the European Union scheme for Emissions Trading which is set out to monitor and measure the efficiencies of our generator operations to reduce carbon emissions and to ensure legal compliance.

We recognise our responsibility to take action by focusing on reducing our emissions and ensuring compliance with the Industrial Emissions Directive (IED). The IED is a European policy instrument focused on emissions and air quality for combustion plants. This is transposed into UK legislation through EPR – Environmental Permitting Regulations.

Quality, Security and Environmental Management

As part of the Company's commitment to provide a market-leading service, the Group has continued to retain accreditation to ISO 27001:2013 (Information Security) and PCI DSS (Payment Card Industry Data Security Standard) as core to the business across all locations, including joint certification between London and Paris. In line with the business ISO standard frames, PCI DSS version 3.2.1 has now also been amalgamated across both sites, thereby reducing the individual focus and strengthening the business physical security procedures through established best practises.

The business further complimented its accreditation status by transitioning the ISO standard for Quality, 9001:2015 which is further evidence of the business's continued improvement program which is set against best practise.

The Group continues to jointly retain accreditation in London and Paris for ISO 9001:2015 (Quality Management), ISO 14001:2015 (Environmental Management) and ISO 50001 (Energy Management). The standards for BS OHSAS 18001:2007 (Occupational Health & Safety) and ISO22301:2012 (Business Continuity) are retained individually for London. For Paris where an accreditation has not been achieved, they are continuously reviewing the operational significance to ensure the business requirements are met.

To ensure the continued relevance of the organisational business standard accreditation process, Telehouse is currently preparing with a third party accreditation body for the transition to the new ISO standards for Health & Safety with anticipated full implementation of ISO 45001:2018 replacing BS OHSAS 18001:2007.

As an ISO 50001:2011 accredited organisation aiming to achieve continual improvement in the energy efficiency of our operations. We recognise our responsibility to take action by focusing on reducing our emissions, increasing our preparedness for physical climate impacts and working with others to enhance the local response to climate change. The company is looking to transition to the new ISO 50001:2018 International Energy Management standards by 2020.

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

K. Sakai

Managing Director

04 June 2019

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

Directors' Report

The directors present their report to the shareholders together with the audited consolidated and company statements of Telehouse International Corporation of Europe Ltd (the "Group", "Telehouse") for the year ended 31 March 2019. Telehouse International Corporation of Europe Ltd has trading branches in London, Paris and South Africa.

Business Review

A review of the Group's results for the year, future developments and principal risks is detailed on pages 2 to 4 of the strategic report.

Results and dividends

Operating profit for the year ended 31 March 2019 was £83.4m (2018: £75.6m). Profit transferred to retained earnings for the year was £66.4m (2018: £57.2m). The Board has recommended the payment of a final dividend in respect of the year ended 31 March 2019 of £20.3m (2018: £19.8m).

Directors

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

Directors
K. Sakai – Managing Director
K. Ohno
Y. Shiozaki (resigned 31 March 2019)
H. Soshi (resigned 2 April 2018)
H. Kimura (appointed 1 April 2019)

As permitted by S408 of the Companies Act 2006, the company has not presented its own Statement of Comprehensive Income in addition to the Consolidated Statement of Comprehensive Income. The parent company's (Telehouse International Corporation of Europe Ltd) profit for the financial year amounted to £65,290,000 (2018: £57,186,000).

Employees

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

Financial risk management

The Group's policies to manage Financial risk are outlined in pages 3 to 4 of the strategic report with further details provided in Note 21 to the accounts 'Financial Instruments and Risk Management'.

Political donations

The Group and Company did not make any political donations in the year (2018: £nil).

Disclosure statements

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

Directors' indemnities

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

Independent auditors

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

Statement of 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 group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

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

K Sakai

Managing Director

04 June 2019

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

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 group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

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

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

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

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

Ken Sakai

K. Sakai

Managing Director

04 June 2019

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

Report on the audit of the financial statements

Opinion

In our opinion, Telehouse International Corporation of Europe Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2019 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company Statements of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Cash Flows, and the Consolidated and Company Statements of Changes in Equity; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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 group's and 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Statements set out on page 9, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

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

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

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Jonathan Ford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors, London
04 June 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2019

Note		31 March 2019 Total £'000	31 March 2018 Total £'000
2	Revenue	162,918	147,634
	Cost of sales	(19,775)	(9,231)
	Gross profit	**143,143**	**138,403**
	Administrative expenses	(59,709)	(62,772)
	Operating profit	83,434	75,631
	Finance income	332	116
	Non-operating income	-	-
3	Finance costs	(1,224)	(718)
9	Share of profit from associates	97	278
4	**PROFIT BEFORE TAX**	**82,639**	**75,307**
7	Taxation	(16,197)	(18,121)
	PROFIT FOR THE FINANCIAL YEAR	**66,442**	**57,186**
	Other comprehensive (expense)/income:		
	Items that may be reclassified subsequently to profit or loss:		
	Exchange differences on translation of foreign operations	(1,700)	924
	TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT	**64,742**	**58,110**
	ATTRIBUTABLE TO:		
	-Owners of the Parent	64,681	58,110
	-Non-controlling interest	61	-
		64,742	**58,110**

The notes on pages 17 to 42 form an integral part of these financial statements.

TELEHOUSE INTERNATIONAL CORPORATION OF EUROPE LTD

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

As at 31 March 2019

Note		CONSOLIDATED 31 March 2019 £'000	CONSOLIDATED 31 March 2018 £'000	COMPANY 31 March 2019 £'000	COMPANY 31 March 2018 £'000
	NON CURRENT ASSETS				
8	Property, plant and equipment	502,172	417,349	452,465	417,349
9	Investments in subsidiaries	-	-	6,381	-
9	Investments in associates	697	600	697	600
		502,869	417,949	459,543	417,949
	CURRENT ASSETS				
10	Trade and other receivables	117,366	115,802	160,888	115,810
11	Cash and cash equivalents	9,407	8,641	7,338	8,641
		126,773	124,443	168,226	124,451
	TOTAL ASSETS	**629,642**	**542,392**	**627,769**	**542,400**
	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT				
12	Share capital	47,167	47,167	47,167	47,167
13	Retained earnings	343,375	298,549	342,223	298,549
13	Revaluation reserve	20,808	20,808	20,808	20,808
13	Foreign exchange translation reserve	8,426	10,126	8,426	10,126
	Total shareholders' equity	**419,776**	**376,650**	**418,624**	**376,650**
	Non-controlling interest	61	-	-	-
	TOTAL EQUITY	**419,837**	**376,650**	**418,624**	**376,650**
	LIABILITIES				
	NON CURRENT LIABILITIES				
15	Bank and other loans	3,000	29,000	3,000	29,000
14	Deferred income tax liabilities	24,931	26,454	24,931	26,454
18	Provisions for other liabilities and charges	1,170	1,193	1,170	1,193
		29,101	56,647	29,101	56,647
	CURRENT LIABILITIES				
15	Bank and other loans	84,830	20,000	84,830	20,000
16	Deferred income	44,555	35,612	44,512	35,612
17	Trade and other payables	44,640	47,787	44,663	47,794
19	Current income tax liabilities	6,679	5,696	6,039	5,697
		180,704	109,095	180,044	109,103
	TOTAL LIABILITIES	**209,805**	**165,742**	**209,145**	**165,750**
	TOTAL EQUITY & LIABILITIES	**629,642**	**542,392**	**627,769**	**542,400**

The profit for the year for the company is £65,290,000 (2018: £57,186,000)

The notes on pages 17 to 42 form an integral part of these financial statements.

The financial statements on pages 12 to 42 were approved by the Board of Directors on 04 June 2019 and signed on its behalf by:

K. Sakai
Managing Director
Company Registration Number: 2138407

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

Year ended 31 March 2019

CONSOLIDATED	Share Capital	Revaluation Reserve	Foreign Exchange Translation Reserve	Retained Earnings	Non-controlling interest	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2017	**47,167**	**20,808**	**9,202**	**255,513**	**-**	**332,690**
Dividends	-	-	-	(14,150)	-	(14,150)
Comprehensive income						
Profit for the financial year	-	-	-	57,186	-	57,186
Currency translation differences	-	-	924	-	-	924
Total comprehensive income	-	-	924	57,186	-	58,110
Balance at 31 March 2018	**47,167**	**20,808**	**10,126**	**298,549**	**-**	**376,650**
Effect of change in accounting policy for IFRS 15 adjustment	-	-	-	(1,806)	-	(1,806)
Restated closing balance at 31 March 2018	47,167	20,808	10,126	296,743	-	374,844
Dividends	-	-	-	(19,810)	-	(19,810)
Non-controlling interest	-	-	-		61	61
Comprehensive income						
Profit for the financial year	-	-	-	66,442	-	66,442
Currency translation differences	-	-	(1,700)	-	-	(1,700)
Total comprehensive income	-	-	(1,700)	66,442	61	64,742
Balance at 31 March 2019	**47,167**	**20,808**	**8,426**	**343,375**	**61**	**419,837**

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

Year ended 31 March 2019

COMPANY	Share Capital	Revaluation Reserve	Foreign Exchange Translation Reserve	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2017	**47,167**	**20,808**	**9,202**	**255,513**	**332,690**
Dividends	-	-	-	(14,150)	(14,150)
Comprehensive income					
Profit for the financial year	-	-	-	57,186	57,186
Currency translation differences	-	-	924	-	924
Total comprehensive income	-	-	924	57,186	58,110
Balance at 31 March 2018	**47,167**	**20,808**	**10,126**	**298,549**	**376,650**
Effect of change in accounting policy for IFRS 15 adjustment	-	-	-	**(1,806)**	**(1,806)**
Restated closing balance at 31 March 2018	**47,167**	**20,808**	**10,126**	**296,743**	**374,844**
Dividends	-	-	-	(19,810)	(19,810)
Comprehensive income					
Profit for the financial year	-	-	-	65,290	65,290
Currency translation differences	-	-	(1,700)	-	(1,700)
Total comprehensive income	-	-	(1,700)	63,484	61,784
Balance at 31 March 2019	**47,167**	**20,808**	**8,426**	**342,223**	**418,624**

The notes on pages 17 to 42 form an integral part of these financial statements.

TELEHOUSE INTERNATIONAL CORPORATION OF EUROPE LTD

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

Year ended 31 March 2019

	CONSOLIDATED		COMPANY	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Cash flows from operating activities	**£'000**	**£'000**	**£'000**	**£'000**
Profit before tax	82,639	75,307	81,109	75,308
Adjustments for:				
Depreciation of property, plant and equipment	13,390	12,113	13,390	12,113
Finance costs	1,224	718	918	718
Finance income	(332)	(116)	(332)	(116)
Share of profit in associates	(97)	(278)	(97)	(278)
Increase in debtors	(1,564)	(25,791)	(45,078)	(25,792)
Increase in creditors	5,796	4,832	5,767	4,832
Loss on disposal of fixed assets	-	411	-	411
Cash generated from operations	**101,056**	**67,196**	**55,677**	**67,196**
Interest paid	(1,224)	(718)	(918)	(718)
Income tax paid	(18,855)	(15,213)	(18,545)	(15,213)
Interest received	332	116	332	116
Net cash generated from operating activities	**81,309**	**51,381**	**36,546**	**51,381**
Cash flows from investing activities				
Purchase of property, plant and equipment	(50,062)	(32,786)	(50,062)	(32,786)
Acquisition of subsidiary	(5,421)	-	(6,445)	-
Net cash used in investing activities	**(55,483)**	**(32,786)**	**(56,507)**	**(32,786)**
Cash flows from financing activities				
Repayment of borrowings	(63,718)	(10,000)	(20,000)	(10,000)
Proceeds from borrowings	58,830	-	58,830	-
Dividends paid	(19,810)	(14,150)	(19,810)	(14,150)
Net cash generated from/(used in) financing activities	**(24,698)**	**(24,150)**	**19,020**	**(24,150)**
Net increase/(decrease) in cash and cash equivalents	1,128	(5,555)	(941)	(5,555)
Cash and cash equivalents at beginning of year	8,641	14,972	8,641	14,972
Exchange losses on cash and bank overdrafts	(362)	(776)	(362)	(776)
Cash and cash equivalents at the end of year	**9,407**	**8,641**	**7,338**	**8,641**

The notes on pages 17 to 42 form an integral part of these financial statements.

An analysis of change in net debt is included in note 26.

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

This is the first set of the Group's annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Resulting changes to significant accounting policies are described in the relevant sections below.

(c) Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year ended 31 March 2019. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(f) Investments in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (Note 9).

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

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

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

(g) Property, plant and equipment

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

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

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

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

Fixtures and fittings	5 to 19 years
Plant and machinery	10 to 50 years
Office equipment	3 to 5 years

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

(l) Revenue
The Group has adopted IFRS 15 'Revenue from Contracts with Customers' for the first time in the year ended 31 March 2019. The Group applied IFRS 15 using a modified retrospective approach and the details of the new accounting policies for revenue recognition and cost recognition are disclosed below.

Revenue represents income received from rent, colocation services, fitting out work, facilities management, power and cable installations and other value added services attributable to the Group's principal activities net of value added tax. Revenue is credited to the Statement of Comprehensive Income in respect to the period in which the service is provided and is recognised to the extent that it is probable that the future economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is received. Deferred income represents amounts invoiced to customers in advance in respect of future periods.

As a result of applying IFRS 15 changes to the Groups recognition policies have been reflected in the consolidated financial statements in year ended 31 March 2019 as follows:

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue generated from one off bespoke customer installation works is recognised on a straight line basis over the minimum term of the associated lease or colocation contract. The trigger for recognition is the point of acceptance of completed works by the customer. This policy has been applied consistently across all installation related revenue as listed below:

- Fit out of area provided to customer under lease agreement or colocation contract
- Installation of cable connecting to another location
- Installation of power distribution unit
- Network service installation

Direct costs associated with installation revenue are also recognised on a straight line basis over the minimum term of the associated lease or colocation contract. Additionally Commission payments to staff and third parties are also recognised on the same basis.

For the year ending 31 March 2019 the impact of adopting IFRS 15 has been a charge of £2.3m in the Statement of Comprehensive Income.

The modified retrospective approach has resulted in a charge of £1.8m being applied to opening retained earnings.

(m) Pension costs

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

(n) Borrowing costs

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

(o) Recent accounting developments

New standards and interpretations issued but not effective for the financial year beginning 1 April 2019 and not early adopted, but which management believe could impact the Company in future periods:

The new accounting standard on leases, IFRS 16 'Leases', ensures that all lease contracts are now recognised on balance sheet and require the recognition of the present value of future lease payments as a liability and corresponding recognition of a right-of-use asset for many leases that were previously only ever recognised as an operating expense. IFRS 16 'Leases' will replace the existing standard, IAS 17.

The new standard is applicable for accounting periods commencing from 1 January 2019 and is required to be adopted by the Group from 1 April 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17.

On initial application of IFRS 16, the Group will for all lease contracts:

i) recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments
ii) recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss
iii) separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

The Group will recognise new assets and liabilities for its current operating leases of leased properties, office equipment and car leases. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities, instead of a periodic operating lease expense.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group intends to apply the standard retrospectively to all accounting periods using the modified retrospective approach. For all leases held at the date of transition (being 1 April 2019 for the Group) which are not deemed to be short term in nature the modified recognition and measurement provisions of IFRS 16 will be applied, resulting in the creation of an asset and liability with opening reserves adjusted for the impact.

The estimated impact of adopting IFRS 16 on the opening reserves at 1 April 2019 (had IFRS 16 been applied already) using the modified approach is summarised in the following table:

	Opening reserves 1 April 2019
	£'m
Balance sheet impact	
Right-of-use asset	2.2
Lease liability	(2.4)
Net assets	(0.2)
Opening reserves impact	
Depreciation	(3.3)
Lease interest cost	(0.7)
Reverse operating lease expenses	3.8
Debit to reserves	(0.2)

Under the modified retrospective approach, it has been estimated that an additional right-of-use asset of £2.2m as at 1 April 2019 would need to be recognised. A corresponding lease liability at the same date of £2.4m has been calculated, resulting in a reduction to net assets of £0.2m. This would result in a £0.2m additional expense needing to be recognised as a debit to the opening profit and loss reserves as at 1 April 2019.

IFRIC 23 'Uncertainty over Income Tax Treatments' This interpretation of IAS 12 sets out how to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates where there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on or after 1 January 2019, with earlier application being permitted, although this is yet to be endorsed by the EU and will have no effect on the Group's financial statements.

Amendments to IAS 19 'Plan Amendment, Curtailment or Settlement' The amendments to IAS 19 are if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendments are effective for annual periods beginning on or after 1 January 2019, although this is yet to be endorsed by the EU and is not likely to have a material effect on the Group's financial statements.

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.

(p) Cash and cash equivalents

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

(q) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(r) Financial instruments

The Group has adopted IFRS 9 'Financial Instruments' for the first time for the year ended 31 March 2019. The requirements of IFRS 9 represent a significant change from IAS 39 'Financial Instruments: Recognition and Measurement'. As such, the Group has changed its accounting policy and applied it for financial instruments as detailed below.

(a) Financial assets

Classification

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

Loans and receivables

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

Recognition and measurement

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

Impairment of financial assets

In prior years the Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was considered impaired and impairment losses incurred only if there was objective evidence of impairment as a result of one or more events that had occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 9's impairment requirements uses a lifetime expected loss allowance – the'expected credit loss (ECL) model'. Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows. The Group has recognised an additional expected loss of £0.5m at the year-end as a result of the implementation of IFRS 9.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Statement of Comprehensive Income.

(b) Financial liabilities

Classification

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

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

Recognition and measurement

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers or vendors. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

De-recognition of financial liabilities

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

(s) Provisions

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

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

(t) Critical accounting estimates and judgements

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

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

a. Property, Plant and Equipment (PPE)

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

b. Recognition of deferred tax liabilities

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

c. Revenue recognition and allowance for doubtful receivables

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

At each reporting date, the Company performs a detailed evaluation of the recoverability of trade receivables and records an allowance for doubtful receivables based on current information available. The actual level of receivables collected may differ from the estimated levels of recovery, which could impact future operating results positively or negatively.

2. SEGMENTAL INFORMATION

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

	Year ended 31 March 2019			
	UK	**FRANCE**	**OTHER**	**TOTAL**
	£'000	**£'000**	**£'000**	**£'000**
Revenue	117,125	45,793	-	**162,918**
Operating profit/(loss)	64,433	19,003	(2)	**83,434**
Assets	481,929	147,581	132	**629,642**
Liabilities	169,485	40,325	(5)	**209,805**
Capital expenditure	93,510	6,041	-	**99,551**
Depreciation	8,705	4,685	-	**13,390**
Finance income	304	28	-	**332**
Finance costs	1,224	-	-	**1,224**
Taxation	9,095	7,099	3	**16,197**

	Year ended 31 March 2018			
	UK	**FRANCE**	**OTHER**	**TOTAL**
	£'000	**£'000**	**£'000**	**£'000**
Revenue	106,460	41,160	14	**147,634**
Operating profit	59,796	15,823	12	**75,631**
Assets	405,508	136,715	169	**542,392**
Liabilities	126,777	38,958	7	**165,742**
Capital expenditure	28,974	3,812	-	**32,786**
Depreciation	7,555	4,558	-	**12,113**
Finance income	96	20	-	**116**
Finance costs	718	-	-	**718**
Taxation	13,006	5,115	-	**18,121**

3. FINANCE COSTS

	Year ended 31 March 2019	Year ended 31 March 2018
	£'000	£'000
Interest payable on parent and other group company loans	1,224	717
Interest payable on bank loans and overdraft	-	1
Finance costs	**1,224**	**718**

4. PROFIT BEFORE TAX

Profit before tax is stated after charging/(crediting):	Year ended 31 March 2019	Year ended 31 March 2018
	£'000	£'000
Rentals under operating leases:		
Land and buildings	889	866
Other assets	42	54
Depreciation (Note 8)	13,390	12,113
Profit/(loss) on foreign exchange	49	(605)
Staff costs (Note 5)	16,957	15,402
Loss on disposal of fixed assets	-	411

Fees paid to auditors

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

	Year ended 31 March 2019	Year ended 31 March 2018
	£'000	£'000
Fees payable to Company's auditors and its associates for the audit of parent company and consolidated financial statements	108	125
Fees payable to Company's auditors and its associates for other services:		
- The audit of Company's subsidiaries	27	10
- Audit related services	5	-
- Tax advisory services	254	46
	394	**181**

5. EMPLOYEES

	CONSOLIDATED		COMPANY	
The average monthly number of persons (including executive directors) employed by the Group and Company during the year was:	Year ended 31 March 2019 Number	Year ended 31 March 2018 Number	Year ended 31 March 2019 Number	Year ended 31 March 2018 Number
Office and management	50	48	50	48
Facilities	11	31	11	31
Engineering and operations	125	89	125	89
Sales and marketing	24	37	24	37
	210	**205**	**210**	**205**
STAFF COSTS	**£'000**	**£'000**	**£'000**	**£'000**
Wages and salaries	13,180	11,778	13,180	11,778
Social security costs	3,281	3,195	3,281	3,195
Other pension costs	496	429	496	429
	16,957	**15,402**	**16,957**	**15,402**

The Company contributed £495,790 (2018: £429,306) to a UK Group Personal Pension Scheme on behalf of its UK employees who have completed more than three months' service.

6. DIRECTORS' REMUNERATION

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
In respect of directors of Telehouse International Corporation of Europe Ltd:		
Aggregate emoluments	-	-
Contributions to group personal pension schemes	-	-
	-	-
Highest paid director:		
Wages and salaries	-	-
Contributions to group personal pension scheme	-	-
	Number	**Number**
Number of current directors for whom benefits are accruing under group personal pension scheme	-	-

The directors' remuneration has been disclosed based on actual remuneration paid during the year. Under the provisions of the Telehouse director bonus scheme, there are no provisions in these financial statements for a final bonus in respect of directors' bonus entitlement for 2019 (2018: £Nil).

7. TAXATION

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Current tax		
Corporation tax	17,872	15,391
Adjustments in respect of prior years	(152)	(413)
Total current tax charge	17,720	14,978
Deferred tax (Note 14)		
Charge for year	(1,523)	3,143
Charge for the year	**16,197**	**18,121**
Reconciliation of current tax charge		
Profit before tax	82,639	75,307
Profit before taxation multiplied by standard rate of UK Corporation tax of 19.00% (2018: 19.00%).	15,701	14,308
Effects of:		
Non-deductible expenses	(1,454)	(1,015)
Other tax adjustments	386	-
Short term timing differences	250	(4)
Higher tax on non UK profits	2,992	2,102
Timing differences for tax arising on capital assets	(1,523)	3,143
Adjustments in respect of prior years	(152)	(413)
Group relief	(3)	-
	496	3,813
Total taxation charge for the year	**16,197**	**18,121**

The year-end deferred tax liabilities have been measured at the latest substantively enacted tax rate effective from 1 April 2019 of 19% as it is anticipated that they will be paid at this rate before any future period enacted tax rates detailed below come into effect.

On 29 October 2018, the Chancellor of the Exchequer confirmed that the corporation tax rate will remain unchanged from the previous Budget, staying at 19% for the financial year beginning 1 April 2019. For the financial year beginning 1 April 2020 the main rate of corporation tax will be reduced by a further 2% to 17%.

8. PROPERTY, PLANT AND EQUIPMENT (CONSOLIDATED)

	Freehold land	Freehold buildings	Fixtures & fittings	Plant & machinery	Office equipment	TOTAL
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2017	**41,001**	**213,630**	**141,390**	**133,482**	**17,357**	**546,860**
Additions	44	675	23,980	7,482	605	32,786
Disposals	-	-	(612)	(31)	(26)	(669)
Currency realignment	92	426	1,901	485	96	3,000
At 1 April 2018	**41,137**	**214,731**	**166,659**	**141,418**	**18,032**	**581,977**
Additions	12,388	49,670	22,592	13,771	1,130	99,551
Disposals	-	-	(724)	-	-	(724)
Transfers	-	(3,904)	(6,014)	9,918	-	-
Currency realignment	(81)	(376)	(1,733)	(431)	(86)	(2,707)
At 31 March 2019	**53,444**	**260,121**	**180,780**	**164,676**	**19,076**	**678,097**
Accumulated depreciation						
At 1 April 2017	-	**2,811**	**75,520**	**59,151**	**13,991**	**151,473**
Charge for the year	-	-	4,920	5,528	1,665	12,113
Disposals	-	-	(205)	(30)	(24)	(259)
Currency realignment	-	14	901	325	61	1,301
At 1 April 2018	-	**2,825**	**81,136**	**64,974**	**15,693**	**164,628**
Charge for the year	-	-	6,067	6,389	934	13,390
Disposals	-	-	(724)	-	-	(724)
Currency realignment	-	(13)	(946)	(341)	(69)	(1,369)
At 31 March 2019	-	**2,812**	**85,533**	**71,022**	**16,558**	**175,925**
Net book value						
At 31 March 2019	**53,444**	**257,309**	**95,247**	**93,654**	**2,518**	**502,172**
At 31 March 2018	**41,137**	**211,906**	**85,523**	**76,444**	**2,339**	**417,349**
Cost of assets fully depreciated						
At 31 March 2019	-	3,448	56,319	22,567	13,395	95,729
At 31 March 2018	-	3,461	55,446	22,235	12,502	93,644

Included within the cost of fixtures and fittings are provisions for the reinstatement for costs of £1.17m (2018: £1.19m).

8. PROPERTY, PLANT AND EQUIPMENT (COMPANY)

	Freehold land	Freehold buildings	Fixtures & fittings	Plant & machinery	Office equipment	TOTAL
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2017	**41,001**	**213,630**	**141,390**	**133,482**	**17,357**	**546,860**
Additions	44	675	23,980	7,482	605	32,786
Disposals	-	-	(612)	(31)	(26)	(669)
Currency realignment	92	426	1,901	485	96	3,000
At 1 April 2018	**41,137**	**214,731**	**166,659**	**141,418**	**18,032**	**581,977**
Additions	12,388	-	22,592	13,771	1,130	49,881
Disposals	-	-	(724)	-	-	(724)
Transfers	-	(3,904)	(6,014)	9,918	-	-
Currency realignment	(81)	(413)	(1,733)	(431)	(86)	(2,744)
At 31 March 2019	**53,444**	**210,414**	**180,780**	**164,676**	**19,076**	**628,390**
Accumulated depreciation						
At 1 April 2017	-	**2,811**	**75,520**	**59,151**	**13,991**	**151,473**
Charge for the year	-	-	4,920	5,528	1,665	12,113
Disposals	-	-	(205)	(30)	(24)	(259)
Currency realignment	-	14	901	325	61	1,301
At 1 April 2018	-	**2,825**	**81,136**	**64,974**	**15,693**	**164,628**
Charge for the year	-	-	6,067	6,389	934	13,390
Disposals	-	-	(724)	-	-	(724)
Currency realignment	-	(13)	(946)	(341)	(69)	(1,369)
At 31 March 2019	-	**2,812**	**85,533**	**71,022**	**16,558**	**175,925**
Net book value						
At 31 March 2019	**53,444**	**207,602**	**95,247**	**93,654**	**2,518**	**452,465**
At 31 March 2018	**41,137**	**211,906**	**85,523**	**76,444**	**2,339**	**417,349**
Cost of assets fully depreciated						
At 31 March 2019	-	3,448	56,319	22,567	13,395	95,729
At 31 March 2018	-	3,461	55,446	22,235	12,502	93,644

Included within the cost of fixtures and fittings are provisions for the reinstatement for costs of £1.17m (2018: £1.19m).

9. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Group associates

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

Name	Country of incorporation	Assets	Liabilities	Revenues	Profit/(loss)	% Interest held
		£'000	£'000	£'000	£'000	%
Funeven Limited	England & Wales					
2019		3,961	788	400	97	40.18
2018		3,213	700	436	278	32.75

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

The share of profit from associates of £97k, reflects the Group's adjusted share of profits accrued by Funeven Limited, a company with a registered address at 10 Queen Street Place, London EC4R 1BE.

Company subsidiaries

The Company held 100% of the Ordinary share capital of Telehouse Management Limited, a building management company, registered in England and Wales at Coriander Avenue, London E14 2AA. The result for the year before and after tax for 2019 was £nil (2018: £nil). Shareholders' funds (£100) and net assets at the year-end was £2k (2018: £2k).

The Company also held 100% of the Ordinary share capital (£3) of Telehouse Ireland Limited, a dormant company registered in Ireland at 22 Northumberland Road, Ballsbridge, Dublin 4.

The Company also held 100% of the Ordinary share capital of Grove Asset 3 S.A.R.L, an asset management company registered in Luxembourg at 48 boulevard Grande-Duchesse Charlotte, L-1330

The company also held 99% of the Ordinary share capital of Grove Property Unit Trust 3 Ltd, a unit trust scheme registered in Jersey at 22 Grenville Street, St Helier, JE4 8PX.

10. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		COMPANY	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	£'000	£'000	£'000	£'000
Trade receivables	35,654	35,155	35,204	35,155
Amounts owed by related parties	71,996	73,639	115,990	73,648
Prepayments	5,928	5,092	5,911	5,091
Accrued income	3,788	1,916	3,783	1,916
Total trade and other receivables	**117,366**	**115,802**	**160,888**	**115,810**

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

11. CASH AND CASH EQUIVALENTS

	CONSOLIDATED		COMPANY	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	£'000	£'000	£'000	£'000
Short term bank deposits	539	233	539	233
Cash at bank and in hand	8,868	8,408	6,799	8,408
Bank overdrafts	-	-	-	-
Total cash and cash equivalents	**9,407**	**8,641**	**7,338**	**8,641**

The effective interest rate on short term deposits was 0.71 % (2018: 0.41%) and these deposits have an average maturity of 30 days (2018: 30 days).

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

12. SHARE CAPITAL (CONSOLIDATED AND COMPANY)

	31 March 2019 £'000	31 March 2018 £'000
AUTHORISED:		
60,000,000 (2018: 60,000,000) ordinary shares of £1 each	60,000	60,000
ALLOTTED AND FULLY PAID		
47,167,348 (2018: 47,167,348) ordinary shares of £1 each	47,167	47,167

13. RESERVES

	CONSOLIDATED		COMPANY	
	Year ended 31 March 2019	Year ended 31 March 2018	Year ended 31 March 2019	Year ended 31 March 2018
	£'000	£'000	£'000	£'000
Retained earnings				
At 1 April 2018	298,549	255,513	298,549	255,513
IFRS 15 adjustment	(1,806)	-	(1,806)	-
Restated 1 April 2018 balance	296,743	255,513	296,743	255,513
Profit on ordinary activities for the year	66,442	57,186	65,290	57,186
Dividends	(19,810)	(14,150)	(19,810)	(14,150)
At 31 March 2019	343,375	298,549	342,223	298,549
Revaluation reserve at 1 April 2018 and 31 March 2019	20,808	20,808	20,808	20,808
Foreign exchange translation reserve				
At 1 April 2018	10,126	9,202	10,126	9,202
Translation adjustment on foreign held net assets	(1,700)	924	(1,700)	924
At 31 March 2019	8,426	10,126	8,426	10,126
Total reserves	**372,609**	**329,483**	**371,457**	**329,483**

Dividends of £19,810,286 were paid in June 2018 to the Company's shareholders in respect of the year ended 31 March 2018.

14. DEFERRED INCOME TAX LIABILITIES

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

	CONSOLIDATED		COMPANY	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Beginning of the year	26,454	23,311	26,454	23,311
Statement of Comprehensive Income (credit)/ charge	(1,523)	3,143	(1,523)	3,143
End of year	**24,931**	**26,454**	**24,931**	**26,454**

The movement in deferred tax liabilities is as follows:

	Accelerated tax depreciation £'000	Short term timing differences £'000	Revaluation of land £'000	Total £'000
At 1 April 2018	22,678	(497)	4,273	26,454
Credited to the Statement of Comprehensive Income	(1,328)	(195)	-	(1,523)
At 31 March 2019	**21,350**	**(692)**	**4,273**	**24,931**

15. BANK AND OTHER LOANS

	CONSOLIDATED		COMPANY	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Current	£'000	£'000	£'000	£'000
Loans owed to other group companies	84,830	20,000	84,830	20,000
	84,830	**20,000**	**84,830**	**20,000**
Non-Current				
Loans owed to other group companies	3,000	29,000	3,000	29,000
	3,000	**29,000**	**3,000**	**29,000**
Total borrowings	**87,830**	**49,000**	**87,830**	**49,000**

The Company net debt is financed by KDDI Europe Limited, a UK registered subsidiary of the ultimate parent company KDDI Corporation, via the European cash pooling agreement, on interest rates varying between 0.9 - 1.5% (London). All long term loans are unsecured and due for repayment by October 2021.

16. DEFERRED INCOME

	CONSOLIDATED		COMPANY	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Advance billing for service provision	44,555	35,612	44,512	35,612

17. TRADE AND OTHER PAYABLES

	CONSOLIDATED		COMPANY	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Trade creditors	3,897	5,419	3,875	5,419
Customer security deposits	6,501	6,145	6,501	6,145
Other tax and social security	4,994	5,086	4,994	5,086
Amounts owed to related parties	16,427	15,548	16,635	15,553
Accruals	12,821	15,589	12,658	15,591
Total trade and other payables	**44,640**	**47,787**	**44,663**	**47,794**

18. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Reinstatement costs £'000	Total £'000
At 1 April 2018	1,193	1,193
Exchange gain credited to the Statement of Comprehensive Income	(23)	(23)
At 31 March 2019	1,170	1,170

The Company currently rents office buildings under operating leases at sites in London and Paris. A provision is recognised for the costs expected to be incurred for the reinstatement of the offices in Paris to their original state at the termination of the lease term.

19. CURRENT INCOME TAX LIABILITIES

	CONSOLIDATED		COMPANY	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Corporation tax	6,679	5,696	6,039	5,697

20. COMMITMENTS UNDER OPERATING LEASES

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

	CONSOLIDATED AND COMPANY			
	31 March 2019		31 March 2018	
	£'000 Land and buildings	£'000 Other assets	£'000 Land and buildings	£'000 Other Assets
No later than one year	866	29	860	42
Later than one year and no later than five years	1,631	49	2,377	2
Later than five years	-	-	99	-
	2,497	78	3,336	44

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

The Group's principal financial instruments during the year comprised group company loans, cash on short term deposits, trade debtors and trade creditors, arising directly from normal operations. There is no material difference between the book value and fair value of these instruments. The parent and other group company loans are being repaid in instalments between 2018 and 2021.

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

Categories of financial instruments

	CONSOLIDATED		COMPANY	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Financial assets				
Loans and receivables				
- Cash and cash equivalents	9,407	8,641	7,338	8,641
- Trade and other receivables	111,438	110,186	154,977	110,196
Financial liabilities				
Amortised cost				
Borrowings	87,830	49,000	87,830	49,000
Trade and other payables	33,145	36,556	33,168	36,563

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management objectives

Interest rates
The Group funds its expansion mainly with other group company loans provided at average interest rates between 0.7% and 1.5%. The remaining funding requirements are also covered by Group funding through short term loans with no fixed term. The Group does not have any interest rate swap deals in place at the year end.

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

Credit risk
A robust credit control policy is in place which is designed to minimise the risk of bad debt. Customers are vetted financially before being accepted and constantly monitored thereafter. Deposits are taken from the majority of customers for amounts equal to between 6 weeks and 6 months forward service. The Group also operates a strict denial of access policy for all customers who have not settled their account within 21 days of amounts falling due. As a consequence of these policies, the Group have suffered very minimal losses from bad debts. The average creditor payment days at year end for the group were 28 days (2018: 26 days) from invoice date.

	CONSOLIDATED		COMPANY	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Cash and cash equivalents – Standard & Poor's credit ratings Long term Rating				
A+	492	531	492	531
A	4,112	2,476	2,043	2,476
A-	4,803	5,634	4,803	5,634
	9,407	**8,641**	**7,338**	**8,641**

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

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

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

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Capital management

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

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

The gearing ratios at 31 March 2019 and 31 March 2018 were as follows:

	31 March 2019 £'000	31 March 2018 £'000
Total borrowings (Note 15)	87,830	49,000
Less: cash and cash equivalents (Note 11)	(9,407)	(8,641)
Net debt	78,423	40,359
Total equity	419,837	376,650
Total capital	**498,260**	**417,009**
Gearing ratio	**16%**	**10%**

The increase in the gearing ratio during the year resulted primarily from obtaining short term loans from KDDI Europe Limited (Note 15), in relation to the acquisition of Grove Asset 3.

22. CAPITAL COMMITMENTS

	CONSOLIDATED		COMPANY	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Contracted for, but not provided, in these financial statements	2,364	22,566	2,364	22,566

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

23. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

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

24. BUSINESS COMBINATIONS

On 29 June 2018, the group gained control of Grove Asset 3 S.a.r.l., an asset management company based in Luxembourg, by acquiring 100 percent of the shares and voting interests in the company. Additionally the group also acquired 99% of Grove Property Unit Trust 3 Limited (JPUT 3), a unit trust scheme established in Jersey.

The following summarises the consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

Consideration at 29 June 2018

	£'000
Cash	6,445
Total consideration transferred	6,445

Recognised amounts of identifiable assets acquired and liabilities assumed

	£ '000
Property, plant and equipment	50,100
Trade and other receivables	8
Cash and cash equivalents	962
Loans repayable	(44,065)
Trade and other payables	(178)
Corporation tax liability	(382)
Net identifiable assets acquired	6,445

Upon acquisition the external loans were repaid immediately and replaced with intercompany loans. No Goodwill has arisen because net assets acquired equal the cash paid.

25. RELATED PARTY DISCLOSURES

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

The following transactions were carried out with related parties.

(a) Sales of services:

	CONSOLIDATED		COMPANY	
	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
- the ultimate parent	222	172	222	172
- other related parties	15,466	14,657	15,466	14,657
Total	**15,688**	**14,829**	**15,688**	**14,829**

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

(b) Purchase of services:

	CONSOLIDATED		COMPANY	
	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
- the ultimate parent	-	-	-	-
- other related parties	17	(96)	17	(96)
Total	**17**	**(96)**	**17**	**(96)**

(c) Key management compensation:

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

	CONSOLIDATED		COMPANY	
	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000	Year ended 31 March 2019 £'000	year ended 31 March 2018 £'000
Salaries and short term employee benefits	1,650	1,269	1,650	1,269
Total compensation	**1,650**	**1,269**	**1,650**	**1,269**

The key management compensation has been disclosed based on actual remuneration paid during the year. Under the provisions of the Telehouse staff bonus scheme, there are provisions in these financial statements for a final bonus in respect of 2018, which have been paid in April 2019. Included within that provision are amounts in respect of key management compensation entitlement of £224,647 (2018: £107,994).

25. RELATED PARTY DISCLOSURES (CONTINUED)

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

	CONSOLIDATED		COMPANY	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	£'000	£'000	£'000	£'000
Receivables from ultimate parent	18	23	18	18
Receivables from other related parties	71,978	73,616	115,972	73,630
Total receivables from related parties	**71,996**	**73,639**	**115,990**	**73,648**
Payables to ultimate parent	3	5	3	5
Payables to other related parties	16,424	15,543	16,632	15,548
Total payables to related parties	**16,427**	**15,548**	**16,635**	**15,553**

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

(e) Loans from related parties:
Included within bank and other loans are both long term and short term loans from KDDI Europe Limited (a UK registered subsidiary of the global parent company KDDI Corporation) as follows:

	CONSOLIDATED AND COMPANY	
	31 March 2019	31 March 2018
	£'000	£'000
Beginning of year (Long term loans)	49,000	59,000
Loan repayments (Long term)	(20,000)	(10,000)
Loans advanced during the year (Short term)	58,830	-
End of year	**87,830**	**49,000**

The long term loans from related parties carry interest at average rate of 1.23% (2018: 1.32%), and the short term loans carry interest at an average rate of 0.84% The long term loans are unsecured and repayable by October 2021.

26. ANALYSIS OF CHANGES IN NET DEBT

	CONSOLIDATED AND COMPANY			
	1 April 2018	Cash flows	Currency exchange adjustment	31 March 2019
	£'000	£'000	£'000	£'000
Bank overdrafts (Note 11)	-	-	-	-
Cash at bank and in hand (Note 11)	8,408	460	-	8,868
Short and long term deposits (Note 11)	233	668	(362)	539
	8,641	1,128	(362)	9,407
Debt due within one year (Note 15)	(20,000)	(64,830)	-	(84,830)
Debt due in more than one year (Note 15)	(29,000)	26,000	-	(3,000)
	(49,000)	(38,830)	-	(87,830)
Total	**(40,359)**	**(37,702)**	**(362)**	**(78,423)**

27. EVENTS AFTER THE REPORTING PERIOD

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