TELEHOUSE INTERNATIONAL CORPORATION OF EUROPE LTD

ANNUAL REPORT
For the year ended 31 March 2020

Company registration number: 2138407

TELEHOUSE INTERNATIONAL CORPORATION OF EUROPE LTD

ANNUAL REPORT

for the year ended 31 March 2020

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TELEHOUSE INTERNATIONAL CORPORATION OF EUROPE LTD

OFFICERS AND PROFESSIONAL ADVISERS

Executive Directors	K. Sakai – Managing Director K. Ohno H. Kimura
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 Societe Generale HSBC
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 2020.

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 3,000 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 £87.9m for the year ended 31 March 2020 (2019: £82.6m). This profit has been achieved by a good revenue performance and continued careful cost management. Revenue increased by 6% to £172.7m (2019: £162.9m). 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 an additional floor in North Two was completed and made available to customers during the course of the year. Furthermore, investment in power capacity at Docklands campus and Paris Voltaire campus has enabled further datacentre sales and demonstrated strong growth in interconnections and the Paris cloud services. Strong procurement governance has continued to support strong cost management.

Cash generated by the Group from operating activities was £84.5m (2019: £81.3m) 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 maximum short-term loans drawn from the cash pool were £58.9m (2019: £70.0m) and maximum deposits placed in the cash pool were £55.4m (2019: £20.1m).

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 for several years now. During the year no long term loans were drawn (2019: £nil). As at 31 March 2020, borrowing facilities available but undrawn, were £10.7m (2019: £0.2m).

Capital expenditure of £17.4m in London (2019: £93.5m) and £3.4m for Paris (2019: £6.0m) related to continuous site and infrastructure improvements as well as development of new products and services.

Total net debt decreased by £41.3m to £37.2m during the 12 month period from 1 April 2019. This decrease is mainly due to the repayment of long term loans during the year which had been issued by KDDI Europe in relation to the construction of the North Two data facility. The remaining debt is made up of short term loans from KDDI Europe Limited which had been drawn under the cash pooling arrangement for the acquisition of Freehold Land and Grove Asset S.A.R.L 3 in 2018. The long term loans remaining are of £3.0m (London) and £nil (Paris) as at 31 March 2020. Repayment of these loans is due in 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 establishing their presence.. 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, an independent market research company, predicts that Hybrid IT will become the standard during 2020, 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 support 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. Amazon Web Services are also provided through the Paris Voltaire Datacentre.

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 are due for release by 31 March 2022. A majority of these floors are pre-sold.

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.

Section 172 Compliance Statement

The Directors confirm that they are compliant with Section 172 of the Companies Act 2006, that is, their duty to promote the success of the Company for the benefit of all members. In light of the current Global COVID 19 pandemic Telehouse has reinforced their continued commitment to the policies outlined below ensuring that this has been communicated clearly and regularly to all relevant parties while also adhering to government guidelines.

Employees

We understand that our employees are our most valuable asset. We encourage an atmosphere of open communication, involvement & personal development. Every employee is treated as an individual and has an equal opportunity for personal recognition and career development, regardless of gender, creed, personal background, or politics. Discrimination or harassment is not tolerated.

Customers
We believe that integrity in dealings with one another and with customers is a prerequisite for successful and sustainable business relationships. All employees are therefore informed of the importance of personal relationships and a helpful and responsive attitude when dealing with customers. Our performance against this principal is measured through our Customer Satisfaction Survey and reviews at Board Level of customer reported issues.

Suppliers
We believe in excellence in all things and has selected it key suppliers on a basis of a proven track record of quality and reliability in service. In line with our Procurement Policy, we aim to develop mutually beneficial relationships with our supplier base. All supplier relationships are independently assessed against our Quality Management system and in monthly supplier meetings.

Community
We actively serve and support the community in which we operate by ensuring that where possible the community benefits by our presence:

- Financially through funding of local employment schemes in cooperation with local authorities and
- Environmentally by managing the environmental impact of our services.

The Environment
We operate our sites in accordance with the requirements of ISO 14001. As a company and as individuals we:

- Work with our partners on implementing environmental quality objectives which are desirable and attainable.
- Set targets to improve our business in respect of environmental issues.
- Identify and where possible improve our environmental aspects such as conservation of energy and natural resources, the control of noise levels, recycling of waste material and the utilisation of non-polluting technology and recycled products.

Health & Safety & Welfare
We provide healthy and safe working conditions to employees and visiting customers and suppliers and will do all that is reasonable and practicable to:

- Protect the health and safety of our employees and visiting customers/suppliers by implementing working practices to prevent personal injury and damage to property.
- Make employees and visiting customers/suppliers aware of risks associated with their activities and ensuring risk assessments are carried out prior to authorisation to work
- Raise awareness of their own responsibilities for the health and safety of themselves and others

Human Rights
We are committed to the prevention of any violation of established Human Rights of any kind and when identified will cease business relationships with the perpetrator of these violations. As a member of Internet Watch we actively support the removal of indecent images of under 18s, obscene publications (as defined by the Obscene Publications Act 1959 & 1964) and any incitement to hatred from the Internet.

Social Responsibility
We are committed to collaboration with organisations that support Fair Trade and operate non-exploitative employment practices in their own businesses and supply chains throughout the world.

Conflict of Interest
To ensure integrity in dealings with customers, we do not allow bribery or "gifts and favours" in our business dealings. Our employees are required to avoid and report any conflicts of interest that may arise.

Information
We regard information for the purpose of its business as a corporate asset and provide appropriate, reasonable and practicable protection to ensure confidentiality, integrity and availability of all information assets.

Records
We maintain records which are accurate, complete and transparent and, in accordance with regulatory principals, welcome third party auditing to ensure that no our records are a true and accurate reflection of the Company.

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.

As Telehouse North Two and Telehouse Paris Magny sites continue to sell to capacity, the Board continues to consider expansion opportunities to ensure that the demand for supply of services can be met.

The Group's net debt is financed by KDDI Europe Limited, a UK registered subsidiary of KDDI Corporation, on interest rates varying between 0.2% to 0.9% (London).

The cost of electricity represents 23% of total operating cost (2019: 24%), and this represents a slight decrease against the proportion for the year ended 31 March 2019. 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 company has assessed the potential risk of the COVID 19 pandemic to its business, customers and suppliers. The Company priority has been on ensuring that the Datacentre facilities remain fully operational without interruption to services. This has been achieved by our critical services teams in engineering, facilities management and security. A majority of our customera have been largely unaffected, however a minority, due to restrictions imposed, have faced financial difficulties. We have renegotiated payment terms with these customers. The company has worked with its main contactors in all locations to defer major works. The expected delay is 3 months to all non critical infrastructures upgrade and construction works. Minor customer installation work has also been delayed but the impact is immaterial.

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:

	2020 Target	**Year ended 31 March 2020**	**Year ended 31 March 2019**
Revenue (1)	£173m	£173m	£163m
Net debt (2)	£76.5m	£37.2m	£78.4m
Pipeline/sales forecast to year end (3)		2.7%	2.1%

(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 the continuing increase in 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 below the target maximum level by £39.3m. With capital expenditure for the year being considerably reduced the short term borrowing requirements were much lower than anticipated. 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 current year is representative of the change in the customer profile which now includes high demand from 'hyper-scalers' or wholesale type of prospects, as well as the traditional retail prospect demand. Telehouse continues to construct and fit out the remaining new space within the North Two and other existing facilities in Paris to ensure that its future growth opportunities are maximised.

Results and dividends

The consolidated profit for the financial year transferred to reserves was £71.0m (2019: £66.4m). Consolidated shareholders equity at the end of the year was £471.7m (2019: £419.8m). During the year dividends of £22.4m (2019: £19.8m) were paid.

Environmental commitment

Telehouse is working to embed environmentally sustainable best practices in its 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 providing an excellent customer service experience and to conducting business in an ethical, social and environmentally responsible manner. We are proactive and committed to continually improving our overall environmental and energy performance by establishing an environmental policy, strategy, setting objectives and targets. Our strategy is focused on climate change action, energy efficiency and green procurement, which support the carbon reduction ambitions of many of our stakeholders. We are implementing an action plan to achieve our goals during 2020.

Carbon emissions

The below statement contains Telehouse's annual energy consumption, associated relevant greenhouse gas emissions, and additional related information, as required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

The methodology applied to the calculation of Greenhouse Gas emissions is the 'GHG Protocol Corporate Accounting and Reporting Standard'. An 'operational control' boundary has been applied. Carbon conversion factors have been taken from 'UK Government GHG Conversion Factors for Company Reporting – 2019', Emissions are reported as CO2e. As the majority of Telehouse's electricity is purchased from 100% renewable sources under an energy supply contract, a dual reporting approach has been taken with both 'location-based' and 'market-based' electricity emissions being reported.

The table below shows the total annual UK energy use associated with the consumption of; electricity, fuel combusted on-site, and fuel consumed for relevant business transport purposes, for the period 1 April 2019 – 31 March 2020.

Table 1– Energy Consumption and Emissions 2019-2020

On-site combustion (kWh)	683,612
Electricity (kWh)	147,363,780
Road Transport (kWh)	960
Total Energy (kWh)	148,048,352
Scope 1 Emissions (tCO_2e)	173
Scope 2 Emissions - Market Based (tCO_2e)	8
Scope 2 Emissions - Location Based (tCO_2e)	37,666
Total Emissions Market Based (tCO_2e)	182
tCO2e/£m revenue	1.46

For purposes of baselining and ongoing comparison, it is required to express the emissions using a carbon intensity metric. The intensity metric chosen is £m revenue. The resultant emissions intensity, calculated based on our market-based emissions, is 1.46 tCO_2e/£m revenue.

Telehouse holds ISO 14001:2015 Environmental Management System and ISO 50001:2011 Energy Management System accreditations. These internationally recognised standards confirm Telehouse's commitment to minimise the environmental impact in our day-to-day operations and improve energy performance. We aim to achieve continual improvement in the energy efficiency of our operations and 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. Specific activities undertaken to improve the energy efficiency of our operations in 2019 included: The replacement of dry air coolers with a new system incorporating efficient fans and improved controls and pumping efficiency. This has resulted in significant savings on total system energy consumption. In addition, we have continued our programme of lighting upgrade at our Docklands Data Centre, replacing older fluorescent fittings with energy-efficient LED lighting. To further support our sustainability strategy and reduce our carbon footprint, Telehouse has been purchasing 100% of the energy supply to the Docklands campus from renewable sources throughout this reporting period.

Ensuring compliance

We recognise our responsibility to take action and ensure compliance with applicable regulations, laws and best practices. In October 2014, Telehouse entered into a Climate Change Agreement (CCA) with the Environment Agency. PUE (CCA) 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 CO_2 emissions from fuel consumption. Environmental permit requirements have been met, and we remain focused on the implementation of projects to improve the reduction of CO_2 emissions from the combustion of fuels. In June 2019, the Environmental Agency granted to Telehouse an Environmental permit that regulates emissions and air quality for combustion plants. It demonstrates our commitment to reduce carbon emissions and to ensure good standards of legal compliance.

Security, H&S and Environmental Management

As part of the Company's commitment to providing 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. 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 strengthen the business physical security procedures through established best practices.

The business complimented its accreditations with the ISO standard for Quality, 9001:2015 which is as further evidence of the business's continuous improvement program which is set against industry best practise.

Telehouse International Corporation of Europe is fully committed to reduce workplace illnesses, injuries and to keep a safe working environment for all employees, customer and visitors. To support this, the business is currently working towards transitioning certification of BS OHSAS 18001 at Telehouse London to the new internationally recognised standard of ISO 45001:2018, which demonstrates our adherence to the Health and Safety best practices.

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

DocuSigned by:
Ken Sakai
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K. Sakai

Managing Director

3 June 2020

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 Financial statements of Telehouse International Corporation of Europe Ltd (the "Group", "Telehouse") for the year ended 31 March 2020. 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 2020 was £88.6m (2019: £83.4m). Profit transferred to retained earnings for the year was £71.0m (2019: £66.4m). The Board has recommended the payment of a final dividend in respect of the year ended 31 March 2020 of £29.2m (2019: £22.4m).

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
	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 £70,720,000 (2019: £65,290,000).

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 (2019: £nil).

Disclosure statements

Other than the statements made above, the directors have included all required disclosure in s414c of the Companies Act 2006 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:

DocuSigned by:

Ken Sakai

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K Sakai

Managing Director

3 June 2020

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:

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K. Sakai

Managing Director

3 June 2020

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 Ltd's Group 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 2020 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 as at 31 March 2020; the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity and the Consolidated and Company Statements of Cash Flows for the year then ended; 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

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

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.

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 2020 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 10, 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
3 June 2020

TELEHOUSE INTERNATIONAL CORPORATION OF EUROPE LTD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020

Note		31 March 2020 **Total** **£'000**	31 March 2019 **Total** **£'000**
2	Revenue	172,677	162,918
	Cost of sales	(19,833)	(19,775)
	Gross profit	**152,844**	**143,143**
	Administrative expenses	(64,228)	(59,709)
	Operating profit	88,616	83,434
2	Finance income	269	332
3	Finance costs	(1,176)	(1,224)
9	Share of profit from associates	213	97
4	**PROFIT BEFORE TAX**	**87,922**	**82,639**
7	Taxation	(16,876)	(16,197)
	PROFIT FOR THE FINANCIAL YEAR	**71,046**	**66,442**
	Other Comprehensive Income/(Expense):		
	Items that may be reclassified subsequently to profit or loss:		
	Exchange differences on translation of foreign operations	3,444	(1,700)
	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**74,490**	**64,742**
	Attributable to:		
	-Owners of the Parent	74,490	64,681
	-Non-controlling interest	-	61
		74,490	**64,742**

The notes on pages 18 to 44 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 2020

Note		CONSOLIDATED 31 March 2020 £'000	CONSOLIDATED 31 March 2019 £'000	COMPANY 31 March 2020 £'000	COMPANY 31 March 2019 £'000
	NON CURRENT ASSETS				
8	Property, plant and equipment	501,678	502,172	453,772	452,465
9	Investments in subsidiaries	-	-	6,381	6,381
9	Investments in associates	909	697	909	697
		502,587	502,869	461,062	459,543
	CURRENT ASSETS				
10	Trade and other receivables	105,420	117,366	147,291	160,888
11	Cash and cash equivalents	14,183	9,407	11,746	7,338
		119,603	126,773	159,037	168,226
8	Assets classified as held for sale	7,781	-	7,781	-
	TOTAL CURRENT ASSETS	**127,384**	**126,773**	**166,818**	**168,226**
	TOTAL ASSETS	**629,971**	**629,642**	**627,880**	**627,769**
	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT				
12	Share capital	47,167	47,167	47,167	47,167
13	Retained earnings	391,904	343,375	391,452	342,223
13	Revaluation reserve	20,808	20,808	20,808	20,808
13	Foreign exchange translation reserve	11,870	8,426	11,870	8,426
	Total shareholders' equity	**471,749**	**419,776**	**471,297**	**418,624**
	Non-controlling interest	61	61	-	-
	TOTAL EQUITY	**471,810**	**419,837**	**471,297**	**418,624**
	LIABILITIES				
	NON CURRENT LIABILITIES				
15	Bank and other loans	3,000	3,000	3,000	3,000
14	Deferred income tax liabilities	23,856	24,931	23,856	24,931
18	Provisions for other liabilities and charges	1,201	1,170	1,201	1,170
20	Lease liabilities	1,018	-	1,018	-
		29,075	29,101	29,075	29,101
	CURRENT LIABILITIES				
15	Bank and other loans	48,350	84,830	48,350	84,830
16	Deferred income	42,469	44,555	42,391	44,512
17	Trade and other payables	39,215	44,640	38,578	44,663
19	Current income tax liabilities	(2,118)	6,679	(2,981)	6,039
20	Lease liabilities	1,170	-	1,170	-
		129,086	180,704	127,508	180,044
	TOTAL LIABILITIES	**158,161**	**209,805**	**156,583**	**209,145**
	TOTAL EQUITY & LIABILITIES	**629,971**	**629,642**	**627,880**	**627,769**

The profit for the year for the Company is £70,720,000 (2019: £65,290,000)
The notes on pages 18 to 44 form an integral part of these financial statements.
The financial statements on pages 13 to 44 were approved by the Board of Directors on 3 June 2020 and signed on its behalf by:

DocuSigned by:
Ken Sakai
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K. Sakai
Managing Director
Company Registration Number: 2138407

TELEHOUSE INTERNATIONAL CORPORATION OF EUROPE LTD

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

Year ended 31 March 2020

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 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	-	64,742
Balance at 31 March 2019	**47,167**	**20,808**	**8,426**	**343,375**	**61**	**419,837**
Effect of change in accounting policy for IFRS 16 adjustment	-	-	-	(166)	-	(166)
Restated closing balance at 31 March 2019	**47,167**	**20,808**	**8,426**	**343,209**	**61**	**419,671**
Dividends	-	-	-	(22,351)	-	(22,351)
Comprehensive income						
Profit for the financial year	-	-	-	71,046	-	71,046
Currency translation differences	-	-	3,444	-	-	3,444
Total comprehensive income	-	-	3,444	71,046	-	74,490
Balance at 31 March 2020	**47,167**	**21,808**	**11,870**	**391,904**	**61**	**471,810**

TELEHOUSE INTERNATIONAL CORPORATION OF EUROPE LTD

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

Year ended 31 March 2020

COMPANY	Share Capital	Revaluation Reserve	Foreign Exchange Translation Reserve	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 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)	65,290	63,590
Balance at 31 March 2019	**47,167**	**20,808**	**8,426**	**342,223**	**418,624**
Effect of change in accounting policy for IFRS 16 adjustment	-	-	-	**(166)**	**(166)**
Restated closing balance at 31 March 2019	**47,167**	**20,808**	**8,426**	**342,057**	**418,458**
Dividends	-	-	-	(21,325)	(21,325)
Comprehensive income					
Profit for the financial year	-	-	-	70,720	70,720
Currency translation differences	-	-	3,444	-	3,444
Total comprehensive income	-	-	3,444	70,720	74,164
Balance at 31 March 2020	**47,167**	**20,808**	**11,870**	**391,452**	**471,297**

The notes on pages 18 to 44 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 2020

	CONSOLIDATED		COMPANY	
	31 March 2020	**31 March 2019**	**31 March 2020**	**31 March 2019**
Cash flows from operating activities	**£'000**	**£'000**	**£'000**	**£'000**
Profit before tax	87,922	82,639	87,019	81,109
Adjustments for:				
Depreciation of property, plant and equipment	17,598	13,390	15,797	13,390
Finance costs	1,176	1,224	770	918
Finance income	(269)	(332)	(269)	(332)
Share of profit in associates	(213)	(97)	(213)	(97)
Decrease/(Increase) in debtors	11,946	(1,564)	13,597	(45,078)
(Decrease)/Increase in creditors	(7,511)	5,796	(8,206)	5,767
Loss on disposal of fixed assets	389	-	389	-
Cash generated from operations	**111,038**	**101,056**	**108,884**	**55,677**
Interest paid	(1,176)	(1,224)	(770)	(918)
Income tax paid	(25,674)	(18,855)	(25,318)	(18,545)
Interest received	269	332	269	332
Net cash generated from operating activities	**84,457**	**81,309**	**83,065**	**36,546**
Cash flows from investing activities				
Purchase of property, plant and equipment	(20,755)	(50,062)	(20,755)	(50,062)
Acquisition of subsidiary	-	(5,421)	-	(6,445)
Net cash (outflow) from investing activities	**(20,755)**	**(55,483)**	**(20,755)**	**(56,507)**
Cash flows from financing activities				
Repayment of borrowings	(36,480)	(63,718)	(36,480)	(20,000)
Proceeds from borrowings	-	58,830	-	58,830
Dividends paid	(22,351)	(19,810)	(21,325)	(19,810)
Principal element of Lease payments	(906)	-	(906)	-
Net cash (outflow) from financing activities	**(59,737)**	**(24,698)**	**(58,711)**	**19,020**
Net increase/(decrease) in cash and cash equivalents	3,965	1,128	3,599	(941)
Cash and cash equivalents at beginning of year	9,407	8,641	7,338	8,641
Exchange losses on cash and bank overdrafts	811	(362)	809	(362)
Cash and cash equivalents at the end of year	**14,183**	**9,407**	**11,746**	**7,338**

The notes on pages 18 to 44 form an integral part of these financial statements.

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

1. SIGNIFICANT ACCOUNTING POLICIES

(a) General information

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

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

(b) Basis of preparation

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

- certain financial assets and liabilities, and certain classes of property, plant and equipment – measured at fair value; and
- assets held for sale – measured at fair value less costs to sell.

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 16 Leases has 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 2020. 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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

provisional amounts are adjusted during the measurement period, or additional assets of liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

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

(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.

Right of use assets are depreciated on a straight line basis over the minimum term of the associated lease.

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
Right of use assets	Period of lease

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 estimate 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.

(h) Investments in subsidiaries

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

(i) Taxation

The income tax expense or credit for the year is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the UK. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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 financial statements. Deferred income tax is also 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 end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Revenue

Since 1 April 2018 The Group has applied the provisions of IFRS 15 'Revenue from Contracts with Customers, as disclosed below, to measure and recognise consolidated revenue.

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 recognised in 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 the changes to the Groups recognition policies which have been reflected in the consolidated financial statements since 1 April 2018 are as follows:

Firstly, customer installation works that are of a bespoke nature are identified. Revenue generated from these one off type customer installations 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 which has been identified as bespoke listed below:

- Fit out of area provided to customer under lease agreement or colocation contract which includes specific requirements from the customer which depart from services provided under standard customer installations.
- Any other installation work completed on behalf of customers which is considered to be non-standard in nature

Direct costs associated with revenue generated from the installations identified above are also recognised on a straight line basis over the minimum remaining term of the associated lease or colocation contract.

(l) Pension costs

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

(m) Borrowing costs

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

(n) Recent accounting developments

The accounting policies applied by the Company in these consolidated financial statements are in accordance with Adopted IFRSs and are the same as those applied by the Company in its consolidated financial statements for the year ended 31 March 20 except for the standards adopted by the European Union and mandatorily applicable as from 1 April 2019 which are described below under "new standards applicable from 1 April 2019".

New standards applicable from 1 April 2019

The Group has adopted IFRS 16 'Leases' retrospectively from 1 April 2019, but has not restated comparatives for the prior reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate of 3.5% applied to the lease liabilities on 1 April 2019.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonable similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 April 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

The Group has recognised new right-of-use assets with a total net book value of £2.7m and lease liabilities of £2.9m as at 1 April 2019, resulting in a reduction to net assets of £0.2m which has been reflected as an adjustment to opening reserves at this date. This is in relation to the leasing of properties, office equipment and cars. These right-of-use assets and corresponding liabilities have been measured on a retrospective basis as if the new rules have always been in place. The nature of expenses related to these leases has now changed because the Group recognises a depreciation charge on a straight line basis over the term of the lease for right-of-use assets and interest expense on lease liabilities, instead of a periodic operating lease expense.

The impact of adopting IFRS 16 on the opening reserves at 1 April 2019 using this retrospective approach is summarised in the following table:

	Opening reserves 1 April 2019
	£'m
Balance sheet impact	
Right-of-use asset	2.7
Lease liability	(2.9)
Net assets	(0.2)
Opening reserves impact	
Depreciation	(3.5)
Lease interest cost	(0.6)
Reverse operating lease expenses	3.9
Debit to reserves	(0.2)

The application of the following new standards or amendments is also mandatory for the annual reporting period commencing 1 April 2019, but impact on the Company financial statements is immaterial:

- Amendment to IFRS 9, 'Financial instruments' on prepayment features with negative compensation (effective date 1 January 2019)
- Amendments to IAS 28, 'Investments in associates', on long term interests in associates and joint ventures (effective date 1 January 2019)
- Amendment to IAS 19, 'Employee benefits' Plan amendment, curtailment or settlement' (effective 1 January 2019)
- Annual improvements 2015-2017 (effective 1 January 2019)
- IFRIC 23 'Uncertainty over income tax' (effective 1 January 2019)

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)

(o) 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.

(p) Share capital

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

(q) *Financial instruments*

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

(i) 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

Prior to the adoption of IFRS 9 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.

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows.

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.

(ii) 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.

De-recognition of financial liabilities

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the 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.

(s) 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 relate to continuing operations.

	Year ended 31 March 2020			
	UK	**FRANCE**	**OTHER**	**TOTAL**
	£'000	**£'000**	**£'000**	**£'000**
Revenue	126,885	45,792	-	**172,677**
Operating profit/(loss)	69,382	19,239	(5)	**88,616**
Assets	472,861	156,992	118	**629,971**
Liabilities	124,400	33,759	2	**158,161**
Capital expenditure	17,408	3,347	-	**20,755**
Depreciation	12,734	4,864	-	**17,598**
Finance income	242	27	-	**269**
Finance costs	1,138	38	-	**1,176**
Taxation	10,793	6,083		**16,876**

	Year ended 31 March 2019			
	UK	**FRANCE**	**OTHER**	**TOTAL**
	£'000	**£'000**	**£'000**	**£'000**
Revenue	117,125	45,793	-	**162,918**
Operating profit	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**

3. FINANCE COSTS

	Year ended 31 March 2020	Year ended 31 March 2019
	£'000	£'000
Interest payable on parent and other Group company loans	1,109	1,224
Interest payable on leases	67	-
Finance costs	**1,176**	**1,224**

4. PROFIT BEFORE TAX

Profit before tax is stated after charging/(crediting):	Year ended 31 March 2020	Year ended 31 March 2019
	£'000	£'000
Depreciation (Note 8)	17,598	13,390
Gain on foreign exchange	177	49
Staff costs (Note 5)	17,437	16,957
Loss on disposal of fixed assets	389	-

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 2020	Year ended 31 March 2019
	£'000	£'000
Fees payable to Company's auditors and its associates for the audit of parent company and consolidated financial statements	113	108
Fees payable to Company's auditors and its associates for other services:		
- The audit of Company's subsidiaries	27	27
- Audit related services	5	5
- Tax advisory services	71	254
	216	**394**

5. EMPLOYEES

The average monthly number of persons (including executive directors) employed by the Group and Company during the year was:	CONSOLIDATED Year ended 31 March 2020 Number	CONSOLIDATED Year ended 31 March 2019 Number	COMPANY Year ended 31 March 2020 Number	COMPANY Year ended 31 March 2019 Number
Office and management	52	50	52	50
Facilities	11	11	11	11
Engineering and operations	132	125	132	125
Sales and marketing	28	24	28	24
	223	**210**	**223**	**210**

STAFF COSTS	**£'000**	**£'000**	**£'000**	**£'000**
Wages and salaries	13,578	13,180	13,578	13,180
Social security costs	3,234	3,281	3,234	3,281
Other pension costs	625	496	625	496
	17,437	16,957	17,437	16,957

The Company contributed £624,807 (2019: £495,790) 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 2020 £'000	**Year ended 31 March 2019 £'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 by the Company and the Group. 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 2020 (2019: £Nil).

7. TAXATION

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Current tax		
Corporation tax	18,961	17,872
Adjustments in respect of prior years	(1,010)	(152)
Total current tax charge	17,951	17,720
Deferred tax (Note 14)		
Charge for year	(1,075)	(1,523)
Charge for the year	**16,876**	**16,197**
Reconciliation of current tax charge		
Profit before tax	87,922	82,639
Profit before taxation multiplied by standard rate of UK Corporation tax of 19.00% (2019: 19.00%).	16,705	15,701
Effects of:		
Non-deductible expenses	(189)	(1,454)
Other tax adjustments	87	386
Short term timing differences	2	250
Higher tax on non UK profits	2,356	2,992
Timing differences for tax arising on capital assets	(1,075)	(1,523)
Adjustments in respect of prior years	(1,010)	(152)
Group relief	-	(3)
	171	496
Total taxation charge for the year	**16,876**	**16,197**

The year-end deferred tax liabilities have been measured at the latest substantively enacted tax rate effective from 1 April 2020 of 19% as it is anticipated that they will be paid at this rate before any future period enacted tax rates come into effect.

On 11 March 2020, the Chancellor of the Exchequer confirmed that the corporation tax rate will remain unchanged at 19% for the financial years beginning 1 April 2020 and 1 April 2021.

8. PROPERTY, PLANT AND EQUIPMENT (CONSOLIDATED)

	Freehold land	Freehold buildings	Fixtures & fittings	Right of Use Assets	Plant & machinery	Office equipment	TOTAL
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'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)
IFRS 16 restatement	-	-	-	6,464	-	-	6,464
At 1 April 2019	**53,444**	**260,121**	**180,780**	**6,464**	**164,676**	**19,076**	**684,561**
Additions	617	359	6,615	48	12,012	1,104	20,755
Assets classified as held for sale and other disposals	(7,781)	-	-	(27)	(4,215)	(1,841)	(13,864)
Currency realignment	111	516	2,526	-	601	122	3,876
At 31 March 2020	**46,391**	**260,996**	**189,921**	**6,485**	**173,074**	**18,461**	**695,328**
Accumulated depreciation							
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)
IFRS 16 restatement	-	-	-	3,782	-	-	3,782
At 1 April 2019	-	**2,812**	**85,533**	**3,782**	**71,022**	**16,558**	**179,707**
Charge for the year	-	1,801	7,045	852	7,050	850	17,598
Disposals	-	-	-	(4)	(4,215)	(1,474)	(5,693)
Currency realignment	-	17	1,314	-	623	84	2,038
At 31 March 2020	-	**4,630**	**93,892**	**4,630**	**74,480**	**16,018**	**193,650**
Net book value							
At 31 March 2020	**46,391**	**256,366**	**96,029**	**1,855**	**98,594**	**2,443**	**501,678**
At 31 March 2019	**53,444**	**257,309**	**95,247**	**-**	**93,654**	**2,518**	**502,172**
Cost of assets fully depreciated							
At 31 March 2020	-	3,466	58,915	-	18,265	12,905	93,551
At 31 March 2019	-	3,448	56,319	-	22,567	13,395	95,729

In May 2020 Telehouse successfully entered into a 299 year lease over Plot 8, East India Dock Estate. The cost of this land is £7.8m and is included within the cost of Freehold Land as an asset held for sale in the Statement of Financial Position. It has been measured at the lower of its carrying amount and fair value less costs to sell at point of sale.

Included within the cost of fixtures and fittings are provisions for the reinstatement for costs of £1.20m (2019: £1.17m).

8. PROPERTY, PLANT AND EQUIPMENT (COMPANY)

	Freehold land	Freehold buildings	Fixtures & fittings	Right of Use Assets	Plant & machinery	Office equipment	TOTAL
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'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)
IFRS 16 restatement	-	-	-	6,464	-	-	6,464
At 1 April 2019	**53,444**	**210,414**	**180,780**	**6,464**	**164,676**	**19,076**	**634,854**
Additions	617	359	6,615	48	12,012	1,104	20,755
Assets classified as held for sale and other disposals	(7,781)	-	-	(27)	(4,215)	(1,841)	(13,864)
Currency realignment	111	516	2,526	-	601	122	3,876
At 31 March 2020	**46,391**	**211,289**	**189,921**	**6,485**	**173,074**	**18,461**	**645,621**
Accumulated depreciation							
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)
IFRS 16 restatement	-	-	-	3,782	-	-	3,782
At 1 April 2019	-	**2,812**	**85,533**	**3,782**	**71,022**	**16,558**	**179,707**
Charge for the year	-	-	7,045	852	7,050	850	15,797
Disposals	-	-	-	(4)	(4,215)	(1,474)	(5,693)
Currency realignment	-	17	1,314	-	623	84	2,038
At 31 March 2020	-	**2,829**	**93,892**	**4,630**	**74,480**	**16,018**	**191,849**
Net book value							
At 31 March 2020	**46,391**	**208,460**	**96,029**	**1,855**	**98,594**	**2,443**	**453,772**
At 31 March 2019	**53,444**	**207,602**	**95,247**	-	**93,654**	**2,518**	**452,465**
Cost of assets fully depreciated							
At 31 March 2020	-	3,466	58,915	-	18,265	12,905	93,551
At 31 March 2019	-	3,448	56,319	-	22,567	13,395	95,729

In May 2020 Telehouse successfully entered into a 299 year lease over Plot 8, East India Dock Estate. The cost of this land is £7.8m and is included within the cost of Freehold Land as an asset held for sale in the Statement of Financial Position. It has been measured at the lower of its carrying amount and fair value less costs to sell at point of sale.

Included within the cost of fixtures and fittings are provisions for the reinstatement for costs of £1.20m (2019: £1.17m).

9. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

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 2020 was £nil (2019: £nil). Shareholders' funds (£100) and net assets at the year-end was £2k (2019: £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.

Group associates

The Group's share of the profit and loss of its unlisted UK incorporated associate, in which it holds a 40.18% share, 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					
2020		3,398	838	534	213	40.18
2019		3,961	788	400	97	40.18

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 £213k (2019: £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.

10. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		COMPANY	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£'000	£'000	£'000	£'000
Trade receivables	33,761	35,654	32,762	35,204
Amounts owed by related parties	63,032	71,996	105,934	115,990
Prepayments	6,284	5,928	6,267	5,911
Accrued income	2,343	3,788	2,328	3,783
Total trade and other receivables	**105,420**	**117,366**	**147,291**	**160,888**

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

11. CASH AND CASH EQUIVALENTS

	CONSOLIDATED		COMPANY	
	31 March 2020	**31 March 2019**	**31 March 2020**	**31 March 2019**
	£'000	**£'000**	**£'000**	**£'000**
Short term bank deposits	1,281	539	1,281	539
Cash at bank and in hand	12,902	8,868	10,465	6,799
Total cash and cash equivalents	**14,183**	**9,407**	**11,746**	**7,338**

The effective interest rate on short term deposits was 0.77 % (2019: 0.71%) and these deposits have an average maturity of 30 days (2019: 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 2020	**31 March 2019**
	£'000	**£'000**
AUTHORISED:		
60,000,000 (2019: 60,000,000) ordinary shares of £1 each	60,000	60,000
ALLOTTED AND FULLY PAID		
47,167,348 (2019: 47,167,348) ordinary shares of £1 each	47,167	47,167

13. RESERVES

	CONSOLIDATED		COMPANY	
	Year ended 31 March 2020	**Year ended 31 March 2019**	**Year ended 31 March 2020**	**Year ended 31 March 2019**
	£'000	**£'000**	**£'000**	**£'000**
Retained earnings				
At 1 April 2019	343,375	296,743	342,223	296,743
IFRS 16 adjustment	(166)	-	(166)	-
Restated 1 April 2019 balance	343,209	296,743	342,057	296,743
Profit on ordinary activities for the year	71,046	66,442	70,720	65,290
Dividends	(22,351)	(19,810)	(21,325)	(19,810)
At 31 March 2020	391,904	343,375	391,452	342,223
Revaluation reserve at 1 April 2019 and 31 March 2020	20,808	20,808	20,808	20,808
	20,808	20,808	20,808	20,808
Foreign exchange translation reserve				
At 1 April 2019	8,426	10,126	8,426	10,126
Translation adjustment on foreign held net assets	3,444	(1,700)	3,444	(1,700)
At 31 March 2020	11,870	8,426	11,870	8,426
Total reserves	**424,582**	**372,609**	**424,130**	**371,457**

Dividends of £22,350,618 were paid in June 2019 to the Company's shareholders in respect of the year ended 31 March 2019.

14. DEFERRED INCOME TAX LIABILITIES

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

	CONSOLIDATED		COMPANY	
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
Beginning of the year	24,931	26,454	24,931	26,454
Statement of Comprehensive Income credit	(1,075)	(1,523)	(1,075)	(1,523)
End of year	**23,856**	**24,931**	**23,856**	**24,931**

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 2019	**21,350**	**(692)**	**4,273**	**24,931**
Credited to the Statement of Comprehensive Income	(1,066)	(9)	-	(1,075)
At 31 March 2020	**20,284**	**(701)**	**4,273**	**23,856**

15. BANK AND OTHER LOANS

	CONSOLIDATED		COMPANY	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Current	**£'000**	**£'000**	**£'000**	**£'000**
Loans owed to other group companies	48,350	84,830	48,350	84,830
	48,350	**84,830**	**48,350**	**84,830**
Non-Current				
Loans owed to other group companies	3,000	3,000	3,000	3,000
	3,000	**3,000**	**3,000**	**3,000**
Total borrowings	**51,350**	**87,830**	**51,350**	**87,830**

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 an interest rate of 0.9% (London). The long term loan is unsecured and due for repayment by October 2021.

16. DEFERRED INCOME

	CONSOLIDATED		COMPANY	
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
Advance billing for service provision	42,469	44,555	42,391	44,512

17. TRADE AND OTHER PAYABLES

	CONSOLIDATED		COMPANY	
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
Trade creditors	2,126	3,897	2,111	3,875
Customer security deposits	6,537	6,501	6,537	6,501
Other tax and social security	4,474	4,994	4,285	4,994
Amounts owed to related parties	11,353	16,427	11,240	16,635
Accruals	14,725	12,821	14,405	12,658
Total trade and other payables	**39,215**	**44,640**	**38,578**	**44,663**

18. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Reinstatement costs £'000	Total £'000
At 1 April 2019	1,170	1,170
Exchange loss debited to the Statement of Comprehensive Income	31	31
At 31 March 2020	**1,201**	**1,201**

The Company currently rents office buildings under lease agreements 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 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
Corporation tax	(2,118)	6,679	(2,981)	6,039

20. LEASES

(i) The balance sheet shows the following amounts relating to leases:

	31 March 2020 £'000	1 April 2019 £000
Right-of-use assets		
Buildings	1,705	2,495
Others	150	187
	1,855	**2,682**
Lease liabilities		
Current	1,018	935
Non-current	1,170	1,995
	2,188	**2,930**

Additions to the right of use assets during the financial year were £48k.

On adoption of IFRS 16 in the current year, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate of 3.5% applied to the lease liabilities on 1 April 2019.

Measurement of lease liabilities:

	£'000
Operating lease commitments disclosed as at 31 March 2019	2,575
Contracts reassessed as leases under IFRS 16	355
Lease commitments discounted using the lessee's incremental borrowing rate of at the date of initial application	2,930
Lease liability recognised as at 1 April 2019	**2,930**
Of which are:	
Current lease liabilities	935
Non-current lease liabilities	1,995
Additional lease liabilities recognised during the year ending 31 March 2020	48
Less liabilities reduced due to contract termination	(20)
Less payments made during the year ending 31 March 2020	(906)
Exchange losses	136
Lease liability recognised as at 31 March 2020	**2,188**

(ii) The statement of Comprehensive income shows the following amounts relating to leases:

	Year ending 31 March 2020 £'000
Depreciation charge of right-of-use assets	
Buildings	(797)
Others	(55)
	(852)
Interest expense (included in finance cost)	(67)

The total cash outflow for leases in the year was £906k.

20. LEASES (CONTINUED)

(iii) The Group's leasing activities and how these are accounted for:

The Group leases buildings, equipment and vehicles. Rental contracts are typically made for fixed periods of 3 to 6 years, but may have extension options included.in some cases.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the end of the financial year, ending 31 March 2019 leases of property, plant and equipment were classified as operating leases. From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

As the Group does not have any external debt the incremental borrowing rate is determined to be LIBOR plus 2.5% to make it comparable to a commercial arrangement.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Examples of low value assets are IT equipment and small items of office furniture.

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

The Group assesses the fair value of its Financial Instruments against each of the hierarchy levels summarised below:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held is the current bid price. The instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the used of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Based on this assessment the Group has determined that the fair values of all its financial instruments should be classified at level 3.

There are financial instruments classified, recognised and measured at fair value through profit and loss or other comprehensive income.

	CONSOLIDATED		**COMPANY**	
	31 March 2020 £'000	**31 March 2019 £'000**	**31 March 2020 £'000**	**31 March 2019 £'000**
Financial assets				
Loans and receivables				
- Cash and cash equivalents	14,183	9,407	11,746	7,338
- Trade and other receivables	99,136	111,438	141,024	154,977
Financial liabilities				
Amortised cost				
Borrowings	51,350	87,830	51,350	87,830
Trade and other payables	28,204	33,145	27,756	33,168

Due to the short term nature of cash and cash equivalents, trade and other receivables and trade and other payables; their carrying amount is considered to be the same as their fair value. The fair value of the borrowings is £52.4m as at 31 March 2020.

Financial risk management policies

Interest rates

Interest rate risk is the risk that changes in interest rates will affect the Group's income or the value of its holdings of financial instruments. The Group counters this risk by funding its expansion mainly with other fixed term group company loans provided at average interest rates between 0.2% and 0.9%. The remaining funding requirements are also

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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
Foreign currency risk is the risk that fluctuations in currency exchange rates will affect the Group's income or the value of its holdings of financial instruments. 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
Credit risk is the risk of financial loss to the Group is a customer or company party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and cash held at financial institutions. 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 26 days (2019: 28 days) from invoice date.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due at 31 March 2020. The loss allowances for trade receivable as at 31 March 2020 reconcile to the opening loss allowances as follows:

	Trade receivables 31 March 2020 £'000	31 March 2019 £'000
Opening loss allowance at 1 April	869	309
Increase in loss allowance recognised in Profit or loss during the year	38	623
Receivables written off during the year as uncollectible	(123)	(57)
Unused allowance reversed	-	(6)
Closing loss allowance at 31 March	**784**	**869**

Trade receivables are written of where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the customer going into liquidation or administration, failure of the debtor to engage in a repayment plan with the Group, and a failure to make contractual payments of greater than 90 days past due.

COVID-19
The Group has not been significantly impacted by COVID-19. Its customers are largely unaffected and cash flow has continued to be strong. A small number of customers have faced some difficulties and the Companies have renegotiated payment terms in these circumstances.

Funding continues to be through the Group cash pooling arrangements and as such the directors do not consider that there is any risk to these arrangements.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

	CONSOLIDATED		COMPANY	
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
Cash and cash equivalents – Standard & Poor's credit ratings Long term Rating				
A+	1,623	492	-	492
A	12,541	4,112	11,727	2,043
A-	19	4,803	19	4,803
	14,183	**9,407**	**11,746**	**7,338**

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.

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 2020 and 31 March 2019 were as follows:

	31 March 2020 £'000	31 March 2019 £'000
Total borrowings (Note 15)	51,350	87,830
Less: cash and cash equivalents (Note 11)	(14,183)	(9,407)
Net debt	37,167	78,423
Total equity	471,810	419,837
Total capital	**508,977**	**498,260**
Gearing ratio	7%	**16%**

The decrease in the gearing ratio during the year resulted primarily from the repayment of long term loans to KDDI Europe Limited (Note 15).

22. CAPITAL COMMITMENTS

	CONSOLIDATED		COMPANY	
	31 March 2020 £'000	**31 March 2019 £'000**	**31 March 2020 £'000**	**31 March 2019 £'000**
Contracted for, but not provided, in these financial statements	5,822	2,364	5,822	2,364

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

23. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

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

24. RELATED PARTY DISCLOSURES

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

The following transactions were carried out with related parties.

(a) Sales of services:

	CONSOLIDATED		COMPANY	
	Year ended 31 March 2020 £'000	**Year ended 31 March 2019 £'000**	**Year ended 31 March 2020 £'000**	**Year ended 31 March 2019 £'000**
- the ultimate parent	230	222	230	222
- other related parties	11,082	15,466	11,082	15,466
Total	**11,312**	**15,688**	**11,312**	**15,688**

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

24. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Purchase of services:

	CONSOLIDATED		COMPANY	
	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
- the ultimate parent	56	-	56	-
- other related parties	2,621	17	2,621	17
Total	**2,677**	**17**	**2,677**	**17**

(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	1,777	1,650	1,777	1,650
Total compensation	**1,777**	**1,650**	**1,777**	**1,650**

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 2019, which have been paid in April 2020. Included within that provision are amounts in respect of key management compensation entitlement of £223,880 (2019: £224,647).

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

	CONSOLIDATED		COMPANY	
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
Receivables from ultimate parent	8	18	8	18
Receivables from other related parties	63,024	71,978	105,926	115,972
Total receivables from related parties	**63,032**	**71,996**	**105,934**	**115,990**
Payables to ultimate parent	10	3	10	3
Payables to other related parties	11,343	16,424	11,230	16,632
Total payables to related parties	**11,353**	**16,427**	**11,240**	**16,635**

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

24. RELATED PARTY DISCLOSURES (CONTINUED)

(e) Loans from related parties:
Included within bank and other loans are 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 2020 £'000	31 March 2019 £'000
Beginning of year	87,830	49,000
Loan repayments (Long term)	(26,000)	(20,000)
Loan repayments during the year (Short term)	(10,480)	58,830
End of year	**51,350**	**87,830**

The long term loans from related parties carry interest at average rate of 0.92% (2019: 1.23%), and the short term loans carry interest at an average rate of 0.77% The long term loans are unsecured and repayable by October 2021.

25. ANALYSIS OF CHANGES IN NET DEBT

	CONSOLIDATED AND COMPANY			
	1 April 2019	Cash flows	Currency exchange adjustment	31 March 2020
	£'000	£'000	£'000	£'000
Bank overdrafts (Note 11)	-	-	-	-
Cash at bank and in hand (Note 11)	8,868	3,223	811	12,902
Short and long term deposits (Note 11)	539	742	-	1,281
	9,407	3,965	811	14,183
Debt due within one year (Note 15)	(84,830)	36,480	-	(48,350)
Debt due in more than one year (Note 15)	(3,000)	-	-	(3,000)
	(87,830)	36,480	-	(51,350)
Total	**(78,423)**	**40,445**	**811**	**(37,167)**

26. EVENTS AFTER THE REPORTING PERIOD

Telehouse UK has successfully entered into a 299 year lease over Plot 8, East India Dock Estate (see Note 8).