TELEHOUSE HOLDINGS LIMITED

ANNUAL REPORT
For the year ended 31 March 2020
Company Registration Number: 2814979

CONTENTS

TELEHOUSE HOLDINGS LIMITED

OFFICERS AND PROFESSIONAL ADVISORS

Executive Directors	K. Sakai - Managing Director and Chairman K. Ohno
Registered office	Coriander Avenue London E14 2AA
Registered number	2814979
Bankers	Barclays Bank PLC Mizuho Corporate Bank Limited. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ Limited Societe Generale HSBC
Solicitors	Eversheds 1 Wood Street London EC2V 7WS
Independent Auditors	PricewaterhouseCoopers LLP, 1 Embankment Place London WC2N 6RH

The directors present their annual report and the audited Consolidated and Company financial statements of Telehouse Holdings Limited ("Telehouse", "the Group") for the year ended 31 March 2020.

STRATEGIC REPORT

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.

While Telehouse has a global brand, this report relates specifically to Telehouse Holdings Limited (the 'Company'), a Company incorporated and domiciled in the United Kingdom and the Group with operations in the UK, France, South Africa and Germany. 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.

The Company has a strong presence in London, Paris and Frankfurt through its partnerships with the London Internet Exchange (LINX), the French Internet Exchange (France-IX) and the German Internet Exchange (DECIX) respectively, 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.

Telehouse as a global brand has replicated this success and is one of only two global carrier-neutral data centre providers that can access more than 60% of global GDP through its network of 40 data centres (this includes the 9 data centres held in the Telehouse Holdings Limited Group).

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

Business Review

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

Telehouse delivered profit before tax of £97.8m for the year ended 31 March 2020 (2019: £89.3m). Revenue increased by 6% to £211.5m (2019: £199.2m). The growth in revenue was driven by the continued development and increased operational capacity of the new North Two facility at Docklands, with an additiona floor made available to customers during the course of the year. The business was serviced by the London, Paris and Frankfurt sites. Finally, the Group's continued success was supported by the strategy to offer additional value added services, alongside strong procurement governance which has underpinned strong cost management.

Cash generated by the Group from operating activities was £99.4m (2019: £88.5m) in the year. Due to the nature of the data centre business, cash flows are cyclical. Telehouse Holdings Limited utilises a European Group cash pooling agreement with KDDI Europe Limited (a UK registered subsidiary of the global parent company KDDI Corporation),. This method of cash management within the Group has reduced interest bearing debt as all surplus cash held is utilised. During the year short-term loans drawn from the cash pool were £58.9m (2019: £52.6m) and maximum deposits placed with the cash pool were £55.4m (2019: £20.1m). See details included in Note 27. As at 31 March 2020, borrowing facilities available but undrawn were £10.7m (2019: £11m).

The EU cash pooling agreement administered by KDDI Europe Limited is now utilised for investment cash flow by way of both short and long term borrowing. During the year maximum long term loans drawn were £15.0m (2019: £8.6m). As at 31 March 2020, borrowing facilities available but undrawn were £nil (2019: £nil).

Capital expenditure of £17.4m in London (2019: £93.5m), £3.4m for Paris (2019: £6.0m), and £23.9m for Frankfurt (2019: £12.5m) related to continuous site and infrastructure improvements as well as development of new products and services.

Total net debt decreased by £27.5m to £90.9m during the year from 1 April 2019. This decrease is a result of the repayment of various long term loans acquired in relation to the construction of the North Two facility in London. The Long-term loans are between 3 and 5 years with a remaining balance of £3.0m (London), £nil (Paris) and £51.1m (Frankfurt) as at 31 March 2020. Short term loans drawn from EU cash pooling were £58.9m (£2019: £58.8m) for London and £13.9m (2019: £4.6m) for Frankfurt. The repayment schedule for the loans provided by the parent and Group companies will continue until 2026.

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. In Frankfurt, Telehouse peering services reached 53 by the end of the finanical period, and in Telehouse Paris Voltaire peering services reached 264. Telehouse London is now the only colocation service provider based in London to offer a resilient route to Microsoft Azure data centre locations thorugh Microsoft ExpressRoute London2 based at the Telehouse London Docklands campus.

Telehouse will also meet the growing demand for colocation space in London with the further build out of Telehouse North Two. The final two floors are due for release by 31 March 2022. A majority of these floors are pre-sold.

Telehouse Deutschland Gmbh has invested in building a further 2,160sqm of white space, delivering 3.6MW of IT power. Completion has seen a 3 month delay, from March 2020 to June 2020 due to the impact of COVID-19. However, 50% of the service is pre sold.

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 have reinforced our continued commitment to the policies outlined below ensuring that this has been communicated clearly 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 risks and uncertainties

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.

As Telehouse North 2 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 has an on-going program of investment in these areas to ensure customer service remains at the highest expected levels. The Group's net debt is financed by KDDI Europe Limited, a UK registered subsidiary of KDDI Corporation, on interest rates varying between 0.2% - 0.9% (London), 0.2% - 0.7% (Frankfurt), via the European cash pooling agreement.

The cost of electricity represents 28% of total operating cost (2019: 27%) and this represents a small increase against the proportion for the year ended 31 March 2019. The increase is a result of the increased operational capacity of North Two in London, Paris Voltaire and Paris Magny, as well as A South in Frankfurt. However, the directors remain aware that the volatility of the energy markets has a significant impact on the profitability of the business. This risk is continually assessed and market activity in the European energy markets is monitored. The purchasing strategy is reviewed periodically and immediately should any significant market activity occur.

The Company has assessed the potential risk of the COVID 19 pandemic to its business, customers and suppliers. The Company's 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 customer 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 contractors in all locations to defer major works. The expected delay is 3 months to all non-critical infrastructure upgrades and construction works. Minor customer installation work has been delayed but the impact is immaterial.

The Group's financial risk management policies are set out in note 23 to the financial statements.

Key performance indicators

The Board manages the business by reference to 25 key performance indicators. However, the principal indicators are as follows:

	2020 Target	Year ended 31 March 2020	Year ended 31 March 2019
Revenue (1)	£211m	£212m	£199m
Net debt (2)	£85.6m	£90.9m	£118.4m
Pipeline/sales forecast to year end (3)		2.2%	1.9%

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

Revenue growth was in line with expectations and due to new sales generated from available space in the completed London North Two facility, as well as continued growth in the other existing London, Paris and Frankfurt facilities. Further success of the Group has been driven by the offer of additional value added services to the customers.

Net debt was above the target level by £5.3m due to additional long term loans being issued in relation to the Telehouse Deutschland Gmbh power expansion project. 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 slightly higher sales pipeline at the end of the current year is representative of the increased space available for sale in the North Two facility in London, and the A South expansion in Frankfurt. Telehouse continues to construct and fit out new space within the North Two and other existing facilities to ensure that its future growth opportunities are maximised.

Results and dividends

The consolidated profit for the year transferred to reserves was £78.0m (2019: £70.9m). Shareholders' equity at the end of the year was £536.7m (2019: £482.1m). During the year dividends of £25.0m (2019: £21.7m) were paid.

Environmental commitment

Telehouse is working to embed environmental 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.

As required under UK Streamlined Energy and Carbon Reporting legislation, a statement of total annual UK energy consumption and associated carbon emissions have been included with the Annual Report submitted to. Companies House for Telehouse International Corporation of Europe Ltd, Company number 2138407'

Telehouse reports energy consumption and carbon emissions in a multitude of different ways: contractually through the climate change agreements or by obligation through regulatory measures like; EU ETS (EU Emissions Trading Scheme, which captures Scope 1 emissions), ESOS (Energy Saving Opportunities Scheme) and SECR (Streamlined Energy and Carbon Reporting).

Telehouse recognises its responsibility to ensure compliance with local and international applicable regulations, law and best practices in every country where we operate.

Quality, Security, Environmental and H&S Management

All Telehouse entities hold ISO 14001:2015 Environmental Management System and ISO 50001:2011 Energy Management System accreditations.

These internationally recognised standards confirm 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. The Company is looking to transition to the new ISO 50001:2018 International Energy Management standards by 2020.

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 the core at all Telehouse locations. In line with the business ISO standard frameworks, PCI DSS version 3.2.1 has now been amalgamated across London and Paris, thereby reducing the individual focus and strengthening the business physical security procedures through established best practices.

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

Telehouse is fully committed to reduce workplace illnesses, injuries and to keep a safe working environment for all employees, customer and visitors. To support this, London is currently working towards transitioning certification of BS OHSAS 18001 to the new internationally recognised ISO 45001:2018 standard, which demonstrates 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: 2814979

Directors' Report

The directors present their report to the shareholders together with the audited Consolidated and Company Financial statements of Telehouse Holdings Limited (the "Group", "Telehouse") for the year ended 31 March 2020. Telehouse Holdings Limited has trading operations in London, Paris, Frankfurt 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 £98.6m (2019: £90.2m). Profit transferred to retained earnings for the year was £78.0m (2019: £70.9m). The Board has recommended the payment of a final dividend in respect of the year ended 31 March 2020 of £32.1m (2019: £25.0m).

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

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 Holdings Limited) loss for the financial year amounted to £626,000 (2019: £674,000).

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.

Substantial shareholders

The Company is a wholly owned subsidiary of KDDI Corporation, a Japanese registered Company.

Employees

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

Financial risk management

The Group's policies to manage Financial risk are outlined in page 4 of the Strategic Report with further details provided in Note 23 to the financial statements '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.

Independent auditors

A resolution to reappoint 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 the directors 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: 2814979

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:

DocuSigned by:
Ken Sakai
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K. Sakai
Managing Director

3 June 2020

Report on the audit of the financial statements

Opinion

In our opinion, Telehouse Holdings Limited'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 HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020

Note		31 March 2020 Total £'000	31 March 2019 Total £'000
2	Revenue	211,533	199,225
	Cost of sales	(34,086)	(32,864)
	Gross profit	**177,447**	**166,361**
	Administrative expenses	(78,818)	(76,155)
	Operating profit	**98,629**	**90,206**
2	Finance income	317	392
3	Finance costs	(1,385)	(1,369)
11	Share of profit from associates	213	97
4	**PROFIT BEFORE TAX**	**97,774**	**89,326**
7	Taxation	(19,785)	(18,472)
	PROFIT FOR THE YEAR	**77,989**	**70,854**
	Other Comprehensive Income/(Expense):		
	Items that may be reclassified subsequently to profit or loss:		
	Exchange differences on translation of foreign operations	4,105	(2,183)
	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**82,094**	**68,671**
	ATTRIBUTABLE TO:		
	-Owners of the Parent	77,995	65,139
	-Non-controlling interest	4,099	3,532
		82,094	**68,671**

The notes on pages 17 to 45 form part of these financial statements.

There are no material differences between the profits for the years stated above and their historical cost equivalents.

TELEHOUSE HOLDINGS LIMITED

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 & equipment	605,848	584,181	-	-
9	Goodwill	26,589	26,589	-	-
10	Investments in subsidiaries	-	-	96,774	96,774
11	Investments in associates	909	697	-	-
		633,346	611,467	96,774	96,774
	CURRENT ASSETS				
12	Trade and other receivables	112,030	119,401	12,815	14,733
13	Cash and cash equivalents	17,417	11,915	1,384	34
		129,447	131,316	14,199	14,767
8	Assets classified as held for sale	7,781	-	-	-
	TOTAL CURRENT ASSETS	137,228	131,316	14,199	14,767
	TOTAL ASSETS	**770,574**	**742,783**	**110,973**	**111,541**
	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT				
14	Share capital	100,091	100,091	100,091	100,091
15	Retained earnings	404,364	353,583	9,809	10,435
15	Revaluation reserve	17,764	17,764	-	-
15	Other reserves	14,450	10,616	-	-
	Total shareholders' equity	536,669	482,054	109,900	110,526
	Non-controlling interest	14,646	12,510	-	-
	TOTAL EQUITY	551,315	494,564	109,900	110,526
	LIABILITIES				
	NON CURRENT LIABILITIES				
17	Bank and other loans	45,328	35,646	-	-
16	Deferred income tax	28,024	28,855	-	-
21	Provision for other liabilities	1,201	1,170	-	-
22	Lease liabilities	1,081	-	-	-
		75,634	65,671	-	-
	CURRENT LIABILITIES				
17	Bank and other loans	62,956	94,633	-	-
18	Deferred income	42,737	44,554	-	-
19	Trade and other payables	36,619	34,779	1,052	1,015
20	Current income tax liabilities	78	8,582	21	-
22	Lease liabilities	1,235	-	-	-
		143,625	182,548	1,073	1,015
	TOTAL LIABILITIES	219,259	248,219	1,073	1,015
	TOTAL EQUITY AND LIABILITIES	**770,574**	**742,783**	**110,973**	**111,541**

The loss for the year for the Company is £626,000 (2019: £674,000)
The notes on pages 17 to 45 form part of these financial statements.
The financial statements on pages 13 to 45 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: 2814979

TELEHOUSE HOLDINGS LIMITED

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

Year ended 31 March 2020

CONSOLIDATED	Share Capital £'000	Revaluation Reserve £'000	Other Reserves £'000	Retained Earnings £'000	Shareholders' equity £'000	Non-controlling Interest £'000	Total Equity £'000
Balance at 1 April 2018	**100,091**	**17,764**	**12,665**	**306,499**	**437,019**	**10,535**	**447,554**
Dividends	-	-	-	(20,166)	(20,166)	(1,557)	(21,723)
Comprehensive income							
Profit for the year	-	-	-	67,188	67,188	3,666	70,854
Currency translation differences	-	-	(2,049)	-	(2,049)	(134)	(2,183)
Total comprehensive income for the year	-	-	(2,049)	67,188	65,139	3,532	68,671
Other movement	-	-	-	62	62	-	62
Balance as at 31 March 2019	**100,091**	**17,764**	**10,616**	**353,583**	**482,054**	**12,510**	**494,564**
Effect of change in accounting policy or IFRS 16 adjustment	-	-	-	(166)	(166)	-	(166)
Restated closing balance at 31 March 2019	100,091	17,764	10,616	353,417	481,888	12,510	494,398
Dividends	-	-	-	(23,014)	(23,014)	(1,963)	(24,977)
Comprehensive income							
Profit for the year	-	-	-	74,161	74,161	3,828	77,989
Currency translation differences	-	-	3,834	-	3,834	271	4,105
Total comprehensive income for the year	-	-	3,834	74,161	77,995	4,099	82,094
Other movement	-	-	-	(200)	(200)	-	(200)
Balance at 31 March 2020	**100,091**	**17,764**	**14,450**	**404,364**	**536,669**	**14,646**	**551,315**

COMPANY	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 April 2018	**100,091**	**11,109**	**111,200**
Loss for the year	-	(674)	(674)
Balance at 31 March 2019	**100,091**	**10,435**	**110,526**
Loss for the year	-	(626)	(626)
Balance at 31 March 2020	**100,091**	**9,809**	**109,900**

The notes on pages 17 to 45 form part of these financial statements.

TELEHOUSE HOLDINGS LIMITED

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

Year ended 31 March 2020

	CONSOLIDATED		COMPANY	
	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2020	Year ended 31 March 2019
Cash flows from operating activities	£'000	£'000	£'000	£'000
Profit/(loss) before tax	97,774	89,326	193	(95)
Adjustments for:				
Depreciation of property, plant and equipment	21,125	16,699	-	-
Amortisation of intangibles	-	1,174	-	-
Finance costs	1,385	1,369	-	-
Finance income	(317)	(392)	(43)	(60)
Loss on disposal of fixed assets	565	-	-	-
Share of profit in associates	(213)	(97)	-	-
Decrease in debtors	7,370	788	1,904	711
Increase in creditors	23	2,421	36	13
Exchange gain/(loss) on borrowings	1,000	(463)	-	-
Dividend income	-	-	-	-
Cash generated from operations	**128,712**	**110,825**	**2,090**	**569**
Interest paid	(1,385)	(1,369)	-	-
Income tax paid	(28,289)	(21,310)	-	(35)
Interest received	317	392	43	60
Net cash generated from operating activities	**99,355**	**88,538**	**2,133**	**594**
Cash flows from investing activities				
Purchase of property, plant and equipment	(44,738)	(62,319)	-	-
Dividends income	-	-	-	-
Acquisition of subsidiary	-	(5,421)	-	-
Net cash used in investing activities	**(44,738)**	**(67,740)**	**-**	**-**
Cash flows from financing activities				
Repayment of borrowings	(41,772)	(70,257)	-	-
Proceeds from borrowings	18,777	72,576	-	-
Dividends paid	(24,977)	(21,723)	(783)	(594)
Principal element of Lease payments	(999)	-	-	-
Net cash used in financing activities	**(48,971)**	**(19,404)**	**(783)**	**(594)**
Net increase in cash and cash equivalents	5,646	1,394	1,350	-
Cash and cash equivalents at beginning of year	11,915	10,344	34	34
Exchange (losses)/gains on cash and bank overdrafts	(144)	177	-	-
Cash and cash equivalents at the end of year	**17,417**	**11,915**	**1,384**	**34**

The notes on pages 17 to 45 form part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) General information

Telehouse Holdings Limited 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 Company's subsidiary 'Telehouse International Corporation of Europe Ltd' has a branch operating in Paris, France.

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 Group and Company consolidated 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 and investment property – measured at fair value; and;
- assets held for sale – measured at fair value less costs to sell.

The preparation of financial statements in conformity with IFRS 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 year 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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete.

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

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) Investment 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 11).

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 exceed materially its fair value.

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 an operating lease 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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(h) Intangible assets

(i) Goodwill
Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over Telehouse Holdings Limited's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or Groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or Group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Trademarks and licences
Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 6 years.

(iii) Customer base and order backlog
Customer base and order backlog acquired in a business combination are recognised at fair value at the acquisition date. Customer base and order backlog have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of customer base and order backlog over their estimated useful lives of 7 years.

(i) Investments

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

(j) 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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(k) 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.

(l) 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 credited to the Statement of Comprehensive Income in respect to the period in which the service is provided and is recognised to the extent that it is probable that the future economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is received. Deferred income represents amounts invoiced to customers in advance in respect of future periods.

As a result of applying IFRS 15 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:

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

(m) Pension costs

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

(n) Borrowing Costs

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

(o) Recent accounting developments

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.

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.*

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 for right-of-use assets on a straight line basis over the term of the lease 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 the modified 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.

(p) Cash and cash equivalents

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

(q) Share capital

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Financial instruments

(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 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: at fair value through profit or loss, and 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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

(r) 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.

a. Property, Plant and Equipment
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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

d. Goodwill impairment

The Group determines whether goodwill needs to be impaired on an annual basis. This requires an estimation of the value-in-use of the CGUs to which goodwill is allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs, discounted at a suitably risk-adjusted rate in order to calculate present value.

2. SEGMENTAL INFORMATION

Telehouse has one main trade that of operating data centres, including colocation and related services. Telehouse operates from three main countries at present, being UK, France, and Germany. 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 expenses relate to continuing operations.

Year ended 31 March 2020

	UK	FRANCE	GERMANY	OTHER	TOTAL
	£'000	£'000	£'000	£'000	£'000
Revenue	126,885	45,792	38,856	-	**211,533**
Operating profit/(loss)	69,532	19,239	9,862	(4)	**98,629**
Assets	585,345	154,758	97,482	(67,011)	**770,574**
Liabilities	126,985	31,525	68,642	(7,893)	**219,259**
Capital expenditure	17,408	3,347	23,983	-	**44,738**
Depreciation	12,734	4,865	3,526	-	**21,125**
Amortisation	-	-	-	-	**-**
Finance income	285	27	5	-	**317**
Finance costs	1,138	38	209	-	**1,385**
Taxation	10,830	6,083	2,872	-	**19,785**

Year ended 31 March 2019

	UK	FRANCE	GERMANY	OTHER	TOTAL
	£'000	£'000	£'000	£'000	£'000
Revenue	117,125	45,793	36,307	-	**199,225**
Operating profit/(loss)	64,277	19,003	8,103	(1,177)	**90,206**
Assets	594,549	146,873	74,698	(73,337)	**742,783**
Liabilities	172,749	38,447	51,264	(14,241)	**248,219**
Capital expenditure	93,535	6,041	12,450	-	**112,026**
Depreciation	8,705	4,685	3,309	-	**16,699**
Amortisation	-	-	1,174	-	**1,174**
Finance income	364	28	-	-	**392**
Finance costs	1,224	-	145	-	**1,369**
Taxation	9,083	7,099	2,643	(353)	**18,472**

3. FINANCE COSTS

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Interest payable on parent and other group company loans	1,385	1,369
Interest payable on bank loans and overdraft	-	-
Finance costs	**1,385**	**1,369**

4. PROFIT BEFORE TAX

Profit before tax is stated after charging/(crediting):

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Amortisation:	-	1,174
Depreciation (Note 8)	21,125	16,699
Profit on foreign exchange	(364)	(188)
Staff costs (Note 5)	23,452	22,606
Loss on disposal of fixed assets	565	-

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 their associates:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Fees payable to Company's auditors and their associates for the audit of parent Company and consolidated financial statements	10	10
Fees payable to Company's auditors and their associates for other services:		
- The audit of Company's subsidiaries	170	165
- Audit related services	5	5
- Tax advisory services	71	254
	256	**434**

5. EMPLOYEES

	CONSOLIDATED		COMPANY	
The average monthly number of persons (including executive directors) employed by the Group during the year was:	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2020	Year ended 31 March 2019
	Number	Number	Number	Number
Office and management	101	96	-	-
Facilities	30	29	-	-
Engineering and operations	132	125	-	-
Sales and marketing	40	36	-	-
	303	286	-	-
STAFF COSTS (for the above persons)	**£'000**	**£'000**	**£'000**	**£'000**
Wages and salaries	19,593	18,829	-	-
Social security costs	3,234	3,281	-	-
Other pension costs	625	496	-	-
	23,452	**22,606**	-	-

The Company contributed £624,807 (2019: £495,790) to a UK Group Personal Pension Scheme on behalf of its UK employees who have completed at least three months' service.

6. DIRECTORS' REMUNERATION

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
In respect of directors of Telehouse Holdings Limited:		
Aggregate emoluments	-	-
Highest paid Director:		
Aggregate emoluments	-	-

The directors' remuneration has been disclosed based on actual remuneration paid during the year by the Company and the Group.

7. TAXATION

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Current tax		
Corporation tax	21,626	20,390
Adjustment in respect of prior years	(1,010)	(152)
Total current tax charge	20,616	20,238
Deferred tax (note 16)		
(Credit)/charge for the year	(831)	(1,766)
Charge for the year	**19,785**	**18,472**
Reconciliation of Current Tax Charge		
Profit before taxation	97,774	89,326
Profit before taxation multiplied by standard rate of UK Corporation tax of 19.00% (2019: 19.00%).	18,577	16,972
Effects of:		
Non-taxable income	-	(18)
Profits not taxable in the UK	(2,331)	(1,512)
Non-deductible expenses	(189)	(826)
Other tax adjustments	(155)	-
Timing difference for tax arising on capital assets	(822)	(1,219)
Higher tax on non UK profits	5,724	5,774
Deferred tax on acquired intangibles	-	(352)
Adjustment in respect of prior years	(1,010)	(152)
Short term timing differences	(9)	(195)
	1,208	1,500
Total taxation charge for the year	**19,785**	**18,472**

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)

	Assets under construction	Freehold land	Freehold buildings	Right of Use assets	Fixtures & fittings	Plant & machinery	Office Equipment	TOTAL
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2018	**10,312**	**41,598**	**242,217**	**-**	**166,660**	**144,853**	**63,400**	**669,040**
Additions	11,492	12,388	50,151	-	22,592	13,771	1,632	112,026
Disposals	-	-	-	-	(724)	-	-	(724)
Transfers	(3,331)	-	(2,492)	-	(6,014)	9918	1,919	-
Currency realignment	(195)	(64)	(632)	-	(1,733)	(496)	(943)	(4,063)
IFRS 16 restatement	-	-	-	6,464	-	-	-	6,464
At 1 April 2019	**18,278**	**53,922**	**289,244**	**6,464**	**180,781**	**168,046**	**66,008**	**782,743**
Additions	22,017	623	898	240	6,615	12,012	2,333	44,738
Assets classified as held for sale and other disposals	(7,781)	-	(138)	(27)	-	(4,215)	(1,841)	(14,002)
Transfers	(8,684)	487	4,701	-	-	-	3,496	-
Currency realignment	484	124	882	-	2,527	691	1,517	6,225
At 31 March 2020	**24,314**	**55,156**	**295,587**	**6,677**	**189,923**	**176,534**	**71,513**	**819,704**
Accumulated depreciation								
At 1 April 2018	**-**	**11**	**3,873**	**-**	**81,138**	**67,422**	**25,386**	**177,830**
Charge for the year	-	-	-	-	6,067	6,677	3,955	16,699
Disposals	-	-	-	-	(724)	-	-	(724)
Currency realignment	-	10	(13)	-	(947)	(395)	(362)	(1,707)
IFRS 16 restatement	-	-	-	3,782	-	-	-	3,782
At 1 April 2019	**-**	**21**	**3,860**	**3,782**	**85,534**	**73,704**	**28,979**	**195,880**
Charge for the year	-	146	1,801	923	7,046	7,289	3,920	21,125
Disposals	-	-	-	(4)	-	(4,215)	(1,437)	(5,656)
Currency realignment	-	13	17	-	1,314	706	457	2,507
At 31 March 2020	**-**	**180**	**5,678**	**4,701**	**93,894**	**77,484**	**31,919**	**213,856**
Net book value								
At 31 March 2020	**24,314**	**54,976**	**289,909**	**1,976**	**96,029**	**99,050**	**39,594**	**605,848**
At 31 March 2019	**18,278**	**53,901**	**285,384**	**-**	**95,247**	**94,342**	**37,029**	**584,181**

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 fixtures and fittings are reinstatement assets of £1.20m (2019: £1.17m).

8. PROPERTY, PLANT AND EQUIPMENT (CONSOLIDATED) (CONT.)

Cost of assets fully depreciated								
At 31 March 2020	-	-	3,854	-	60,418	19,681	14,390	98,343
At 31 March 2019	-	-	3,831	-	56,963	23,530	13,994	98,318

9. INTANGIBLE ASSETS (CONSOLIDATED)

	Goodwill arising on consolidation	Licences	Customer base	Order backlog	TOTAL
Cost or valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2018	**26,589**	**200**	**6,160**	**4,808**	**37,757**
Exchange differences	-	(10)	-	-	(10)
At 1 April 2019	**26,589**	**190**	**6,160**	**4,808**	**37,747**
At 31 March 2020	**26,589**	**190**	**6,160**	**4,808**	**37,747**
Accumulated amortisation					
At 1 April 2018	-	**199**	**5,500**	**4,294**	**9,993**
Charge for the year	-	-	660	514	1,174
Exchange differences	-	(9)	-	-	(9)
At 1 April 2019	-	**190**	**6,160**	**4,808**	**11,158**
At 31 March 2020	-	**190**	**6,160**	**4,808**	**11,158**
Net book value					
At 31 March 2020	**26,589**	-	-	-	**26,589**
At 31 March 2019	**26,589**	-	-	-	**26,589**

The amortisation charge for the year is included within Administrative expenses in the statement of comprehensive income.

Impairment testing
Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units ('CGUs') that are expected to benefit from the business combination in which the goodwill arose.

Goodwill is tested for impairment annually. The main assumptions used when performing the impairment test are set out below. Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value-in-use calculation requires an estimation of future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value.

Goodwill of £26.6m relating to the Germany operating segment has been tested for impairment. The cash flow projections used in the model are based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using an estimated growth rate of 2%. The growth rate does not exceed the long-term average growth rate for the operating segment in which the CGU operates. The pre-tax discount rate applied to the pre-tax cash flow projections was 8.42%. The discount rate used reflects specific risks relating to the segment.

There are no reasonably possible changes in the key assumptions described above that would cause an impairment.

10. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	31 March 2020 £'000	31 March 2019 £'000
Investments in subsidiaries	96,774	96,774

The Company owns 92.14% of the issued ordinary shares of its subsidiary, Telehouse International Corporation of Europe Ltd, an IT housing and management services Company registered in England and Wales at Coriander Avenue, London E14 2AA. 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.

Name	Trade	Area of Incorporation	% Holding	Class of Shares
Telehouse International Corporation of Europe Ltd	Data Centre services	United Kingdom	92.14%	Ordinary
Telehouse Management Ltd*	Building Management	United Kingdom	100%	Ordinary
Telehouse Ireland Limited*	Non-trading	Ireland	100%	Ordinary
Telehouse Deutschland Gmbh	Data Centre services	Germany	100%	Ordinary
Grove Asset S.a.r.L 3*	Asset management	Luxembourg	92.14%	Ordinary
Grove Property Unit Trust 3 Ltd*	Unit Trust scheme	Jersey	91.22%	Ordinary

* Held indirectly by Telehouse International Corporation of Europe Ltd

Telehouse Management Ltd - Registered address: Coriander Avenue, London E14 2AA
Telehouse Ireland Limited - Registered address: 22 Northumberland Road, Ballsbridge, Dublin 4
Grove Asset 3 S.a.r.l - Registered address: 48 boulevard Grande-Duchesse Charlotte, L-1330 Luxembourg
Grove Property Unit Trust 3 Ltd – Registered address: 22 Grenville Street, St Helier, JE4 8PX, Jersey
Telehouse Deutschland Gmbh, Kleyerstraße 75 – 87, D-60326 Frankfurt am Main, Germany

11. INVESTMENTS IN ASSOCIATES

The Group's share of the profit and loss of its unlinsted 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
Funeven Limited	United Kingdom	£'000	£'000	£'000	£'000	%
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 reflects the Group's adjusted share of profits accrued by Funeven Limited a company registered at 10 Queen Street Place, London EC4R 1BE.

12. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		COMPANY	
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
Due within one year:				
Trade receivables	38,575	39,149	-	-
Amounts owed by related parties	63,475	69,121	12,733	14,636
Prepayments	5,982	6,138	-	-
Accrued income	2,592	4,013	-	-
Other debtors	1,406	980	82	97
	112,030	**119,401**	**12,815**	**14,733**

Amounts owed by related parties are unsecured and repayable on demand. They are also interest free except for balances held under the cash pooling arrangement with KDDI Europe Limited, on which interest at LIBOR plus 0.06% is charged.

13. CASH AND CASH EQUIVALENTS

	CONSOLIDATED		COMPANY	
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
Cash at bank and in hand	16,137	11,376	1,384	34
Short-term bank deposits	1,280	539	-	-
Bank overdrafts	-	-	-	-
	17,417	11,915	1,384	34

The effective interest rate on short term deposits was 0.77% (2019: 0.71%) and these deposits have an average maturity of days 30 days (2019: 30 days).

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

14. SHARE CAPITAL

	CONSOLIDATED AND COMPANY	
	31 March 2020	31 March 2019
	£'000	£'000
AUTHORISED:		
120,000,000 (2019: 120,000,000) ordinary shares of £1 each	120,000	120,000
ALLOTTED CALLED UP AND FULLY PAID		
100,090,539 (2019: 100,090,539) ordinary shares of £1 each	100,091	100,091

15. RESERVES

	CONSOLIDATED		COMPANY	
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
Retained earnings				
At beginning of the year	353,583	306,499	10,435	11,109
IFRS 16 adjustment	(166)	-	-	-
Restated balance at the beginning of the year	353,417	306,499	10,435	11,109
Profit/(loss) for the year	74,161	67,188	(626)	(674)
Dividends	(23,014)	(20,166)	-	-
Other movement	(200)	62	-	-
At end of the year	404,364	353,583	9,809	10,435
Revaluation reserve				
At beginning of the year	17,764	17,764	-	-
At end of the year	17,764	17,764	-	-
Other reserves				
At beginning of the year	10,616	12,665	-	-
Translation adjustment on foreign held net assets	3,834	(2,049)	-	-
Other movement	-	-	-	-
At end of the year	14,450	10,616	-	-
Total reserves	**436,578**	**381,963**	**9,809**	**10,435**

16. DEFERRED INCOME TAX

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

	CONSOLIDATED	
	Year ended 31 March 2020	Year ended 31 March 2019
	£'000	£'000
Beginning of the year	28,855	30,621
Statement of Comprehensive Income credit	(831)	(1,766)
End of year	**28,024**	**28,855**

The movement in deferred tax assets and liabilities is as follows:

	Accelerated Tax Depreciation	Short term timing differences	Consolidation adjustments	Total
	£'000	£'000	£'000	£'000
At 1 April 2019	21,555	(693)	7,993	**28,855**
Credited to the Statement of Comprehensive Income	(822)	(9)	-	(831)
At 31 March 2020	**20,733**	**(702)**	**7,993**	**28,024**

17. 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 the ultimate parent company	-	-	-	-
Loans owed to other group companies	62,956	94,633	-	-
	62,956	94,633	-	-
Non-Current				
Loans owed to the ultimate parent company	-	-	-	-
Loans owed to other group companies	45,328	35,646	-	-
	45,328	35,646	-	-
Total borrowings	108,284	130,279	-	-

The Company's net debt is financed by KDDI Europe Limited, a UK registered subsidiary of the ultimate parent company KDDI Corporation, via the European cash pooling agreements, on interest rates varying between 0.2 – 0.9% (London) and 0.2 – 0.7% (Germany). All long term loans are unsecured and due for repayment by January 2026.

18. DEFERRED INCOME

	CONSOLIDATED	
	31 March 2020	31 March 2019
	£'000	£'000
Advance billing for service provision	42,737	44,554

19. TRADE AND OTHER PAYABLES

	CONSOLIDATED		COMPANY	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£'000	£'000	£'000	£'000
Trade creditors	6,534	6,614	-	-
Accruals	18,719	16,202	31	50
Customer security deposits	6,700	6,660	-	-
Other tax and social security	4,644	5,062	-	-
Amounts owed to related parties	22	241	1,021	965
Total trade and other payables	**36,619**	**34,779**	**1,052**	**1,015**

Amounts owed to related parties are unsecured, interest-free and repayable on demand.

20. CURRENT INCOME TAX LIABILITIES

	CONSOLIDATED		COMPANY	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£'000	£'000	£'000	£'000
Corporation tax	78	8,582	21	-

21. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	CONSOLIDATED	
	Reinstatement costs	Total
	£'000	£'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**

Analysis of total provisions:

	31 March 2020	31 March 2019
	£'000	£'000
Non-current	1,201	1,170

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.

22. LEASES

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

	31 March 2020	1 April 2019
	£'000	£000
Right-of-use assets		
Buildings	1,705	2,495
Others	150	187
	1,855	**2,682**
Lease liabilities		
Current	1,081	935
Non-current	1,235	1,995
	2,316	**2,930**

Additions to the right of use assets during the financial year were £240k

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	2,682
Contracts reassessed as leases under IFRS 16	248
Lease commitments discounted using the lessee's incremental borrowing rate 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

22. LEASES (CONTINUED)

Additional lease liabilities recognised during the year ending 31 March 2020	240
Less liabilities reduced due to contract termination	(20)
Less payments made during the year ending 31 March 2020	(999)
Exchange losses	165
Lease liability recognised as at 31 March 2020	**2,316**
Of which are:	
Current lease liabilities	1,081
Non-current lease liabilities	1,235

(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	(126)
	(923)
Interest expense (included in finance cost)	(70)

The total cash outflow for leases in the year was £999k.

(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.

22. LEASES (CONTINUED)

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.

23. 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 2026.

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.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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	17,417	11,915	1,384	34
- Trade and other receivables	106,048	113,263	12,815	14,733
Financial liabilities				
Amortised cost				
- Borrowings	108,284	130,279	-	-
- Trade and other payables	17,900	18,576	1,021	966

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 £110.6m 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 fixed term parent company loans provided at average interest rates between 0.2% and 0.9%. The remaining funding requirements are also covered by Group funding through short term loans with no fixed term. The Group does not have any interest rate swap deals in place at the year end.

Foreign Currency
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 35 days (2019: 35 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:

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

	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.

	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+	1,624	511	-	-
A	13,936	4,112	1,384	-
A-	1,857	7,292	-	34
	17,417	11,915	1,384	34

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 17. 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 Consolidated Statement of Financial Position plus net debt.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The gearing ratios at 31 March 2020 and 31 March 2019 were as follows:

	CONSOLIDATED	
	31 March 2020 £'000	**31 March 2019 £'000**
Total borrowings (Note 17)	108,284	130,279
Less: cash and cash equivalents (Note 13)	(17,417)	(11,915)
Net debt	90,867	118,364
Total equity	551,378	494,564
Total capital	**642,245**	**612,928**
Gearing ratio	**14%**	**19%**

24. CAPITAL COMMITMENTS

	CONSOLIDATED		COMPANY	
	31 March 2020	**31 March 2019**	**31 March 2020**	**31 March 2019**
	£'000	**£'000**	**£'000**	**£'000**
Contracted for, but not provided, in these financial statements	6,255	4,298	-	-

The above figures represent capital expenditure commitments contracted for at the balance sheet date but not yet incurred.

25. PARENT COMPANY

The immediate parent is KDDI Corporation, a company registered in Japan. 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

26. RELATED PARTY DISCLOSURES

As detailed in note 25 the Group is controlled by KDDI Corporation. Other related parties consist of companies also under 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 (KDDI Corporation)	628	340	-	-
- other related parties	12,458	17,743	-	-
Total	13,086	18,083	-	-

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

(b) Purchase of Services:

	CONSOLIDATED		COMPANY	
	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
- the ultimate parent (KDDI Corporation)	69	6	-	-
- other related parties	4,016	1,515	-	-
Total	4,085	1,521	-	-

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

(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 2020 £'000	Year ended 31 March 2019 £'000	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'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 director and staff bonus scheme, there are provisions in these finanical statements for a final bonus in respect of 2019, which have been paid in April 2020. Included within that provision are the amounts in respect of key management compensation of £223,880.

26. RELATED PARTY DISCLOSURES (CONTINUED)

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

	CONSOLIDATED		COMPANY	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£'000	£'000	£'000	£'000
Receivables from ultimate parent	66	18	-	-
Receivables from other related parties	63,409	69,103	12,733	14,636
Total receivables from related parties	**63,475**	**69,121**	**12,733**	**14,636**
Payables to ultimate parent	32	22	-	-
Payables to other related parties	(10)	219	1,021	965
Total payables to related parties	**22**	**241**	**1,021**	**965**

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

(e) Loans from Related Parties:

Included within bank and other loans are loans from related parties as follows:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Beginning of year	130,279	84,358
Loans undertaken during the year	18,777	72,576
Loan repayments	(41,772)	(26,192)
Exchange Rate Movement	1,000	(463)
End of year	**108,284**	**130,279**

The loans from related parties carry interest at average rate of 0.38% (2019: 0.76%).

27. ANALYSIS OF CHANGES IN NET DEBT

CONSOLIDATED AND COMPANY

	1 April 2019 £'000	Cash flows £'000	Currency exchange adjustment £'000	31 March 2020 £'000
Bank Overdrafts	-	-	-	-
Cash at bank and in hand (Note 13)	11,376	4,905	(144)	16,137
Short term deposits (Note 13)	539	741	-	1,280
	11,915	5,646	(144)	17,417
Debt due within one year (Note 17)	(94,633)	31,677	-	(62,956)
Debt due in more than one year (Note 17)	(35,646)	(10,682)	1,000	(45,328)
	(130,279)	20,995	1,000	(108,284)
Total	**(118,364)**	**26,641**	**856**	**(90,867)**

28. 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).