TELEHOUSE HOLDINGS LIMITED

ANNUAL REPORT
For the year ended 31 March 2022
Company Registration Number: 2814979

TELEHOUSE HOLDINGS LIMITED

ANNUAL REPORT

for the year ended 31 March 2022

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TELEHOUSE HOLDINGS LIMITED

OFFICERS AND PROFESSIONAL ADVISORS

Executive Directors	T.Sakuraoka – Managing Director (appointed 18 April 2021) T.Yanagisawa (appointed 1 October 2022)
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

Strategic Report

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 2022.

Principal activities and strategy

Established in 1989, Telehouse is a pioneering carrier-neutral data centre colocation and ICT solutions provider, with European 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 more than 40 data centre facilities in more than 10 countries including London, New York and Frankfurt. Telehouse is the data centre subsidiary of KDDI Corporation, a leading Japanese telecommunications and ICT solutions provider and Global Fortune 300 company with 100 offices in more than 60 cities around the world.

This report specifically covers the activities of Telehouse Holdings Limited, a company incorporated and domiciled in the United Kingdom and the Group with operations in the UK, France 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 access to leading cloud services, from its secure, low latency facilities.

Europe by its location has a key role to play in redefining the internet as it was originally intended: as a network of networks that connects rather than divides. For this reason, the FLAP markets (Frankfurt, London, Amsterdam and Paris) dominate the data centre and colocation industries, providing a hub to the rest of the world.

France, by its proximity, connects to Africa and the Middle East, Frankfurt to Asia and Russia and London to the Americas. These three cities are at the crossroads of the global internet and account for all traffic worldwide. Telehouse Holdings enables customers to access global networks through some of the most connected data centres in the world – whether through ISPs, ASPs, internet exchanges or cloud providers. It offers the shortest and most expedited path to making those connections.

Telehouse Holdings Limited has a strong presence and is a centre for the global internet network in two locations: London, home to the London Internet Exchange (LINX) since 1994, and Paris through its partnership with the French Internet Exchange (France-IX). The Telehouse London Docklands data centre campus is considered the most connected data centre in the world while Telehouse Paris is the most connected in France and ranks fifth in the world. Together with Frankfurt, they provide customers with direct access to the global networks they need.

As a leading provider of carrier-neutral data centres, Telehouse Holdings developed a highly connected ecosystem of more than 1000 connectivity partners including carriers, mobile and content providers, enterprises and financial services companies, to deliver 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 competitive advantage positioning Telehouse Holdings as one of the most highly connected data centre service providers in the world.

A Race to the Connected Future report commissioned by Telehouse on the future of connectivity revealed that colocation remains pivotal to their success, with 99% of the 250 UK enterprises surveyed revealing that they are using colocation services with 40% of their IT infrastructure outsourced to a data centre service provider, rising to 48% within the next 5 years.

Telehouse Holdings Limited can provide its customers with access to any of its global locations form their preferred Telehouse location providing them with a multinational, multiple-site data centre with low latency and proximity to their end users.

Business Review

The Group financial statements for the year under review have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Telehouse delivered profit before tax of £90.5m for the year ended 31 March 2022 (2021: £115.5m). Revenue generated for this period was £233.3m and this remained at the same level as the previous year (2021: £233.3m). The prior year had included short term revenue generated following the acquisition of the Thomson Reuters Docklands Technical Centre in London. Excluding this there was growth in BAU revenue in the current year and this was driven mainly by the continued development and increased operational capacity of the North Two facility at Docklands, with the fit out of an additional floor being completed during 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 £96.7m (2021: £93.2m) in the year. Due to the nature of the data centre business, cash flows follow a pattern where there is first investment in new developments and benefits generated from these are recognised in the future. Telehouse Holdings Limited operates a European Group cash pooling agreement with KDDI Europe Limited (a UK registered subsidiary of the global parent company KDDI Corporation) which is utilised for investment cash flow by way of both short term and long term borrowing.

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 £37.3m (2021: £49.0m) and maximum deposits placed with the cash pool were £8.6m (2021: £61.2m). See details included in Note 27. As at 31 March 2022, borrowing facilities available but undrawn were £m (2021: £51.1m). During the year maximum long term loans drawn were £nil (2021: £73.5m). As at 31 March 2022, borrowing facilities available but undrawn were £nil (2021: £nil).

Capital expenditure of £42.7m in London (2021: £101.2m), £8.0m for Paris (2021: £4.9m), and £12.1m for Frankfurt (2021: £14.1m) related mainly to the development of the Telehouse South site (formerly the Thomson Reuters Docklands Technical Centre), continuous site and infrastructure improvements as well as development of new products and services.

Total net debt increased by £12.6m to £122.9m during the year from 1 April 2021. This increase is mainly due to the undertaking of short term loans issued during the year by KDDI Europe to fund the development of the Telehouse South site in London. The Long-term loans are between 3 and 9 years with a remaining balance of £73.5m (London), £nil (Paris) and £44.6m (Frankfurt) as at 31 March 2022. Short term loans drawn from EU cash pooling were £23.1m (£2021: £4.3m) for London and £21.1m (2021: £15.3m) for Frankfurt. The repayment schedule for the loans provided by the parent and Group companies will continue until 2029.

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

Data Centre demand reached record demand in 2021 and continues on an upward trend according to JLL's H2 2021 report.Euro. This is partly due to recovery from the pandemic and the transition to to hybrid working increasing demand for access to cloud services in addition to on-demand content and media services and increased digitilisation and technologies that support personlisation and the adoption of new technologies such as IoT for the manufacturing sector.

The rise in hybrid working has accelerated digitalisation and put a huge strain on enterprises IT infrastructures. Companies need a functioning virtual private network (VPN) that provides access to all the services and software that their users are consuming every day. Telehouse Holdings provides a future-proofed alternative. Customer can access leading cloud services, such as Amazon Web Services, Microsoft Azure ExpressRoute and Google Cloud, and applications that end users are consuming every day across all industries, whether financial services, pharmaceuticals, gaming and more.

As consumption continues to grow and remote working becomes a long-term requirement, Telehouse is investing heavily in its European infrastructure to provide a future proof offering; one that guarantees uptime, offers close proximity to key markets and provides direct access to the changing IT ecosystem.

Telehouse London opened its doors to its latest addition to the data centre campus, Telehouse South in March 2022. This new facility opened with one floor of colocation space and 2MW of power, with a further upgrade to 2.7MW for an additional data hall scheduled for the end of 2023. At full buildout, the 31,000 sqm facility will provide 12,000 sqm of colocation space and a total power capacity of 18MW.

Telehouse Paris expanded its services with the addition of a Point of Presence in Marseille in June 2021. Marseille is Europe's largest hub for submarine cables connecting to several global regions and ranks as ninth largest connectivity hub worldwide. This new location TH1 Marseille, in the heart of the city of Marseille provides an additional pillar for the French digital economy, particularly in its international exchanges with Africa, Asia and the Middle East.

The race to net-zero has placed pressure on data centre service providers to develop environmental strategies that embrace the entire supply chain with those with robust sustainability programmes built into their strategy leading the charge. Telehouse is working to embed sustainable best practices in its operations and focus on the material issues that have the greatest impact on our stakeholders and our business.

The Telehouse report uncovered that 93% of the respondents see sustainability as important to their organisation's IT maturity aims, demonstrating that energy efficiency is now firmly on the agenda of most organisations. As such, energy efficiency has now become a common goal across the data centre industry. It is no longer a competitive advantage but rather a responsibility and an opportunity to collaborate and apply best practice across their entire infrastructure.

Telehouse is working to embed sustainable best practices in its operations and focus on the material issues that have the greatest impact on our stakeholders and our business. We are committed to providing an excellent customer experience and conducting business in an ethical, social, and environmentally responsible manner. We are proactive and committed to continually improving our overall performance by establishing a sustainability strategy and setting objectives and targets.

We are concentrating business resources in areas that are seen as high risk or have significant carbon emissions, and where we can make the most positive environmental and social impacts across the business and communities. We strive to adopt the highest governance standards and behaviours across our operations to enhance sustainability, and competitiveness and reduce our most significant impacts. To further support our sustainability strategy and reduce our carbon footprint, Telehouse has been purchasing 100% of the energy supply to our data centres from renewable sources since 2019.

Section 172 Compliance Statement

Overview

Section 172 sets out the responsibilities of the Directors to act in good faith in undertaking activities and promoting the successes of the Company for the benefits of its stakeholders.

The Directors of Telehouse Holdings confirm that during the year under review they both individually and together have acted to promote the long-term success of the Company for the benefit of all members as a whole and in compliance with Section 172 of the Companies Act 2006. This includes:

The likely consequence of any decision in the long-term

The Directors recognise that the decisions they make today will affect the ongoing success of the Company. The Directors have focused on the long-term success of Telehouse Holdings over the past year, with detailed reviews and discussions on the evolution of the Company's purpose and strategic direction. They have developed and enhanced the organisation's strategy with a key focus on its sustainable growth for the benefit of both customers and employees in the future.

The interests of the company's employees

The Directors understand that employees are core to the ongoing and long-term success of Telehouse Holdings. As such, they implemented several key initiatives to support them, as detailed further below.

Directors

Each of the Directors joined from our parent company, KDDI, prior to being promoted to the Board of the Company. They all have extensive knowledge of the global business and an acute insight into the mood, culture and views of the wider Group that they can bring to the UK operations.

Engagement with the workforce continues to be vital to the running and success of the Company. The Directors work closely within the organisation, and alongside colleagues, to bring a high degree of visibility, personal oversight and engagement with the business. In addition, they:

- Visit the domestic and international operational sites, spending significant time in the domestic sites at the existing London Docklands campus and the new data centre, Telehouse South.
- Deliver presentations on the global business performance, both financial and operational, and provide insights from the parent company on its strategic direction.

- Receive and disseminate the results of the annual employee engagement surveys and drive any appropriate new initiatives, as needed.
- Run regular interactive staff briefing sessions to enable information sharing and feedback.

Health and Safety management continues to play a critical role within the business. As COVID19 restrictions lift, the business will continue to promote flexible working arrangements to ensure the health and safety of all employees.

Reward and Retain
The employees of Telehouse Holdings are the Company's most valuable asset. The Company encourages an atmosphere of open communication, involvement and 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 and harassment are not tolerated.

Employee Engagement and the Employee Experience
Telehouse Holdings is committed to listening to the opinions of all employees in the workplace and taking appropriate actions to enhance their experience with the Company. To ensure that the opinions of all employees are heard, Telehouse Holdings encourages employee feedback through regular one-to-one sessions and clear feedback loops up to the Executive Committee. The Company also distributes employee opinion surveys to assess employee satisfaction and employee engagements. These are undertaken on an annual basis both across the Group, with surveys led by the parent company KDDI, and domestically within Telehouse Holdings. The survey is sent to 100% of employees and response rates are very good. The Company consistently receives positive feedback relating to themes, such as workplace pride, good training opportunities and benefits, and the Company being a great place to work.

Performance management and performance development
Performance management and appraisal process provides an opportunity for positive and constructive feedback and opens a dialogue between employees and managers to discuss all aspects of their work performance. In addition, any future training, development and career planning relevant to the individual and to the department are discussed and implemented.

The Director of Human Resources provides information to the Company's Directors on employee-related matters, including whistleblowing, workforce demographics, results of employee engagement and staff retention rates.

Health and Safety and Welfare
Telehouse Holdings regards the management of health and safety as an integral part of its business and as a management priority. It is company policy that all activities and work are carried out in a safe manner, and the Company works to ensure the health, safety and welfare of its employees and others who may be affected by its activities. The Company's target is for zero accidents and zero work-related ill health to be achieved by applying current best practice in health and safety management.

Telehouse Holdings provides healthy and safe working conditions to all employees in its data centres and in the corporate office, and to all visiting customers and suppliers with the key focus areas being to:

- Protect the health and safety of all 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. Ensure 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.
- Work in accordance with ISO 45001 standards.

The need to foster the Company's business relationships with suppliers, customers and Others

Customers
The customers of Telehouse Holdings are at the heart of what the Company does. They require Telehouse Holdings to provide secure, resilient and highly connected services.

The Company engages with its customers through the Customer Success and Sales teams, providing both on-going support in addition to addressing queries on a range of issues.

Telehouse Holdings believes in developing relationships with customers that are built on integrity and trust - a prerequisite for successful and sustainable business relationships, and it trains employees accordingly.

Telehouse Holdings measures its success through a combination of customer surveys and feedback sessions. The Company carries out an annual NPS and customer satisfaction survey with all customers and monitors and communicates its performance against Key Performance Indicators and Service Level Agreements with customers in addition to the number of billing queries that it receives. We achieved an NPS score of 43 in our last survey, an increase of 3.1 points compared to the previous year and a customer satisfaction score of 6.1 out of 7, which was consistent with the previous year's survey results.

Suppliers
Telehouse Holdings has several key suppliers with whom it has direct contractual relationships to supply a range of goods and services. The Company's suppliers want long-term, collaborative and trusted relationships that generate increased business opportunities.

Telehouse Holdings follows a comprehensive strategic procurement approach when selecting suppliers and awarding contracts for the supply of materials and services to support the business. This entails competitive tendering of services, whereby awards are made to suppliers who achieve the highest number of points after a rigid selection criterion that includes factors such as price, delivery timeframes and total costs of ownership. The suppliers must also demonstrate they have strong environmental and sustainability philosophies. In addition, Telehouse Holdings has an approved supplier list which it regularly benchmarks against the market to ensure that the Company remains at the forefront in terms of technology innovation and overall best customer experience.

The impact of the Company's operations on the community and environment

The Environment and Climate Change
The Sustainability Committee of Telehouse Holdings monitors progress of the Company's sustainability strategy, supporting goals across the Environmental, Social and Governance programmes. The Company is working to embed sustainable best practices in its operations and focus on the material issues that have the greatest impact on stakeholders and the business. Telehouse Holdings strives to adopt the highest standards and behaviours across its operations to enhance energy efficiency, competitiveness and to reduce environmental impact.

Telehouse Holdings is committed to conducting business in an ethical, social and environmentally responsible manner. The Company has been developing effective environmental strategies and policies focused on climate change action, energy efficiency and green procurement, which support the carbon reduction ambitions of many of its stakeholders.

To further support the Company's sustainability strategy and reduce it's carbon footprint, Telehouse Holdings is proud to have implemented the policy to source electricity for its London Docklands campus from only 100% renewable sources, such as wind and solar power. Furthermore, Telehouse Holdings aims to be 100% carbon neutral in its operational emissions (Scope 1 & 2) by 2030. Addressing where energy comes from is one of the most crucial steps in operating a clean energy infrastructure, and by doing so, the Company has already contributed to reducing carbon footprint.

In addition, Telehouse Holdings adheres to international ISO standards in Environment and Energy Management, including the ISO 14001:2015 Environmental Management System and ISO 50001:2018 Energy Management System certifications. These internationally recognised standards confirm the Company's commitment to minimise the environmental impact in day-to-day operations and improve energy performance.

In November 2020, Telehouse Holdings achieved the re-certification of ISO 140001:2015 and the transition from ISO 50001:2011 to ISO 50001:2018, the latest edition of the ISO 50001 standard. The Company achieves continual improvement in the energy efficiency of its operations and recognises its responsibility to take action by focusing on reducing emissions, increasing preparedness for physical climate impacts and working with others to enhance the local response to climate change.

Telehouse Holdings is defining and measuring its targets and conducting an exhaustive review and calculation of its emissions (direct, indirect and value chain sources) to develop long-term reduction options and targets, with the aim of moving to a more sustainable future for all members and stakeholders.

Building Confidence in the Business

Telehouse Holdings chooses to actively participate in voluntary standards, regulations and frameworks, recognising their value in increasing the Company's energy performance and reducing energy expenditure for operators and customers. The Company also chooses to adhere to non-voluntary guidelines in energy efficiency which provide data centre operators with useful recommendations and best practices.

Delivering Exceptional Customer Experience

Telehouse Holdings is committed to helping its customers understand the energy impacts of their digital activities by providing information on their digital activities and being transparent about the energy they use on behalf of others.

The Company is also committed to providing an excellent customer experience and conducting business in an ethical, social, and environmentally responsible manner. Its strategy focuses on climate change, energy efficiency, sustainable procurement, resources management, social responsibility and governance and compliance.

Our Community

As a data centre provider, Telehouse Holdings is aware of wider obligations to be a responsible business partner both to its customers who occupy space within the facilities and to the wider communities in which the Company operates. As activities impact multiple stakeholder groups, the Directors work to ensure that stakeholder matters are integral to its decision-making to achieve long-term success.

Telehouse Holdings actively serves and supports the community in which it operates by ensuring that the community benefits from its presence where possible. This includes:

- Funding local employment schemes in cooperation with local authorities, providing work experience for students attending the New City College located within the London Borough of Tower Hamlets and contributing to local community activities such as sponsoring cricket events; and
- Managing the environmental impact of the Company's services.

Maintaining reputation for high standards of business conduct

The Directors acknowledge that they are responsible for establishing and monitoring the culture, values and reputation of the Company. Employees of Telehouse Holdings are central to the Company achieving its strategic aims, with the Company building a culture where its colleagues can flourish.

Impartiality

The Directors understand the strategic importance of all stakeholders to the business. When making decisions, the Directors have regard to the interests of colleagues, and the need to foster business relationships with other key stakeholders. The wellbeing of colleagues has always been and will continue to be a prominent focus; this has been especially true during the recent COVID-19 pandemic. Telehouse Holdings has put numerous support services in place for its colleagues, including setting up a mental health support line.

The customers of Telehouse Holdings are equally pivotal to the long-term success of the Company. As such, Telehouse Holdings drives to provide a unique and unrivalled service within the industry and has just embarked on a programme to further enhance its efficiency and customer focus.

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 0.5% - 0.9% (London), 0.2% - 0.7% (Frankfurt), via the European cash pooling agreement.

The cost of electricity represents 30.2% of total operating cost (2021: 34.7%) and this represents a significant decrease against the proportion for the year ended 31 March 2021. The decrease is mainly a result of the power capacity requirement for the new Telehouse South Facility in London being lower during the year as it is redeveloped, as well as careful cost management through forward purchasing based on expected future requirements. 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 effectively managed the potential risk of the COVID 19 pandemic to its business, customers and suppliers. The Company priority has been on ensuring that the Datacentre facilities remain fully operational without interruption to services. This has been achieved by our critical services teams in engineering, facilities management and security. A majority of our customers have been largely unaffected, however a minority, due to restrictions imposed, have faced financial difficulties. We have renegotiated payment terms with these customers. The company has worked with its main contactors in all locations to defer major works. This has resulted in delays of around 3 months to all non critical infrastructures upgrade and construction works. Minor customer installation work have also been delayed but the impact has been 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:

	2022 Target	Year ended 31 March 2022	Year ended 31 March 2021
Revenue (1)	£242.1m	£233.3m	£233.3m
Net debt (2)	£161.4m	£122.9m	£110.3m
Pipeline/sales forecast to year end (3)		3.1%	2.8%

(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 as a ratio of assured pipeline to calculate the expected period-end invoiced sales total.

Revenue growth was in line with expectations and and not significantly impacted by the COVID 19 pandemic. It has been underpinned by the continuing increase in operational capacity of the new North Two facility in the London Dockland campus, the Paris Magny facility, the new Marseille facility and Building D centre in Frankfurt, 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 below the target level by £38.5m due to short term borrowing requirements being lower than forecast. The Group's long term net debt requirements, which are carefully planned and executed, are financed by KDDI Europe Limited. The Group reports its cash activity to its parent on a monthly basis and bi-annually reports a 5 year cash forecast plan.

The higher sales pipeline at the end of the current year is representative of the increased space available for sale in the North Two facility in London and new Building D facility in Frankfurt, as well as the commencement of services in the redeveloped Telehouse South centre in London. . Telehouse continues to construct and fit out new space within the South 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 £59.6m (2021: £87.6m). Shareholders' equity at the end of the year was £622.0m (2021: £606.9m). During the year dividends of £34.5m (2021: £31.0m) were paid.

Environmental commitment

Telehouse is working to embed environmentally sustainable best practices in its operations and concentrate business resources in areas seen as high risk or that have significant carbon emissions. 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 conducting business in an ethical, social and environmentally responsible manner. We have also been developing effective environmental strategies and policies focused on climate change action, energy efficiency and green procurement, which support the carbon reduction ambitions of many of our stakeholders.

To further support our sustainability strategy and reduce our carbon footprint, we are proud to have implemented the policy to source electricity for the Docklands and Telehouse South campus from only 100% renewable sources. Addressing where our energy comes from is one of the most crucial steps in operating a clean energy infrastructure and by doing so, we have contributed to reduce our carbon footprint.

We recognise our responsibility to act and ensure compliance with applicable regulations, laws and best practices. Telehouse entered into a Climate Change Agreement (CCA) with the Environment Agency for its London Dockland's data centre campus in 2014 and Telehouse South in January 2021. Climate Change Agreements (CCA) Power Usage Effectiveness (PUE) targets for the London Docklands campus have been met and we remain focused on the implementation of energy efficiency projects year on year.

All our data centre facilities are regulated by environmental permits granted by the Environmental Agency. The permits regulate emissions, combustion of fuels and air quality for combustion plants. Telehouse's annual energy consumption and associated relevant greenhouse gas emissions data has been reported in our Financial reports since the 2019 financial year, as required by the Streamlined Energy and Carbon Reporting (SECR) regulations.

These measures demonstrate our commitment to reduce carbon emissions and to ensure excellent standards of legal compliance. Delivering solutions that protect the environment while providing the best possible value and service to our customers is no easy feat, but at Telehouse we will continue to work alongside regulators and industry bodies to keep refining and improving our commitment to improve standards and achieve long term improvements.

Quality, Security, Environmental and H&S Management

We adhere to international ISO standards in Environment and Energy Management, including the ISO 14001:2015 Environmental Management System and ISO 50001:2018 Energy Management System certifications. These internationally recognised standards confirm Telehouse's commitment to minimize 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.

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 the physical security elements of PCI DSS (Payment Card Industry Data Security Standard) as core to the business across all locations. In all cases our accreditations are aligned to a single certificate or attestation in order to reduce any individual focus and strengthen the business physical security procedures through established best practices.

The business compliments its accreditations with the ISO standard for Quality, 9001:2015 which is further evidence of the business's continuous improvement program which is 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, the business is accredited to ISO 45001:2018 which demonstrates our adherence to the Health and Safety best practices.

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

DocuSigned by:
Takayo Sakuraoka
962286F6A397466...

T. Sakuraoka

Managing Director

10 March 2023

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 2022. Telehouse Holdings Limited has trading operations in London, Paris and Frankfurt.

Business Review

A review of the Group's results for the year, future developments and principal risks is detailed on pages 2 to 6 of the Strategic Report.

Results and dividends

Operating profit for the year ended 31 March 2022 was £96.9m (2021: £104.4m). Profit transferred to retained earnings for the year was £59.6m (2021: £87.6m). The Board has recommended the payment of a final dividend in respect of the year ended 31 March 2022 of £23.8m (2021: £35.1m).

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

- T Sakuraoka – Managing Director (appointed 18 April 2021)
- T.Yanagisawa (appointed 1 October 2022)
- K.Sakai (resigned 18 April 2021)
- K.Ohno (resigned 18 April 2021)
- S.Fukuhara (resigned 01 October 2022)

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 £0.1m (2021: £0.1m profit).

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 5 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 (2021: £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:

Takayo Sakuraoka

962286F6A397466...

T.Sakuraoka

Managing Director

10 March 2023

Registered office:
Coriander Avenue
London
E14 2AA
Registered Number: 2814979

TELEHOUSE HOLDINGS LIMITED

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 and the company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, 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 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 international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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's 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.

Directors' confirmations

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

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

DocuSigned by:
Takayo Sakuraoka
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T. Sakuraoka
Managing Director

10 March 2023

Report on the audit of the financial statements

Opinion

In our opinion, Telehouse Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2022 and of the group's and company's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 2022; 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2022 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to non-compliance with the Companies Act 2006, the General Data Protection Regulation (GDPR) and tax and employment regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent financial reporting, specifically the posting of inappropriate journal entries to manipulate financial results and potential management bias in accounting estimates. Audit procedures performed by the engagement team included:

- identifying and testing journal entries, in particular those entries posted with unusual account combinations, and understanding and evaluating any significant transactions outside the normal course of business;

- enquiry of management and the board of directors, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- reading minutes of meetings of the board of directors; and
- evaluating and, where appropriate, challenging assumptions and judgments made by management in determining significant accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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.

Mark Allsop (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

10 March 2023

TELEHOUSE HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2022

Note		31 March 2022 Total £'000	31 March 2021 Total £'000
2	Revenue	233,293	233,322
	Cost of sales	(49,720)	(42,124)
	Gross profit	**183,573**	**191,198**
	Administrative expenses	(86,655)	(86,749)
	Operating profit	**96,918**	**104,449**
2	Finance income	108	311
3	Finance costs	(6,705)	(4,481)
3	Profit on sale of fixed assets	-	15,133
11	Share of profit from associates	178	85
4	**PROFIT BEFORE TAX**	**90,499**	**115,497**
7	Taxation	(30,925)	(27,867)
	PROFIT FOR THE YEAR	**59,574**	**87,630**
	Other comprehensive (expense)/income:		
	Items that may be reclassified subsequently to profit or loss:		
	Exchange differences on translation of foreign operations	(2,100)	(6,605)
	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**57,474**	**81,025**
	ATTRIBUTABLE TO:		
	-Owners of the Parent	52,957	77,082
	-Non-controlling interest	4,517	3,943
		57,474	**81,025**

The notes on pages 22 to 50 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 2022

Note		CONSOLIDATED 31 March 2022 £'000	CONSOLIDATED 31 March 2021 £'000	COMPANY 31 March 2022 £'000	COMPANY 31 March 2021 £'000
	NON CURRENT ASSETS				
8	Property, plant & equipment	729,581	695,691	-	-
9	Goodwill	26,589	26,589	-	-
10	Investments in subsidiaries	-	-	96,774	96,774
11	Investments in associates	1,172	994	-	-
		757,342	723,274	96,774	96,774
	CURRENT ASSETS				
12	Trade and other receivables	141,116	127,317	9,852	10,704
13	Cash and cash equivalents	23,496	16,017	72	1,337
19	Current income tax assets	1,861	-	-	-
		166,473	143,334	9,924	12,041
	TOTAL ASSETS	**923,815**	**866,608**	**106,697**	**108,815**
	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT				
14	Share capital	100,091	100,091	100,091	100,091
15	Retained earnings	469,628	456,610	5,501	7,603
15	Revaluation reserve	17,764	17,764	-	-
15	Capital contribution reserve	28,220	24,105	-	-
15	Other reserves	6,341	8,276	-	-
	Total shareholders' equity	622,044	606,846	105,592	107,694
	Non-controlling interest	17,950	16,378	-	-
	TOTAL EQUITY	639,994	623,224	105,592	107,694
	LIABILITIES:				
	NON CURRENT LIABILITIES				
17	Bank and other loans	101,485	98,336	-	-
16	Deferred income tax	45,075	30,237	-	-
21	Provision for other liabilities	1,080	1,170	-	-
22	Lease liabilities	558	621	-	-
		148,198	130,364	-	-
	CURRENT LIABILITIES				
17	Bank and other loans	44,105	26,850	-	-
18	Deferred income	50,508	43,541	-	-
19	Trade and other payables	40,809	39,010	1,052	1,052
20	Current income tax liabilities	-	3,085	53	69
22	Lease liabilities	201	534	-	-
		135,623	113,020	1,105	1,121
	TOTAL LIABILITIES	283,821	243,384	1,105	1,121
	TOTAL EQUITY AND LIABILITIES	**923,815**	**866,608**	**106,697**	**108,815**

The loss for the year for the Company is £81,000 (2021: profit £122,000)
The notes on pages 22 to 50 form part of these financial statements.
The financial statements on pages 17 to 50 were approved by the Board of Directors on 10 March 2023 and signed on its behalf by:

DocuSigned by:
Takayo Sakuraoka
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T. Sakuraoka
Managing Director
Company Registration Number: 2814979

TELEHOUSE HOLDINGS LIMITED

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

Year ended 31 March 2022

CONSOLIDATED	Share Capital £'000	Revaluation Reserve £'000	Capital Contribution Reserve £'000	Other Reserves £'000	Retained Earnings £'000	Shareholders' equity £'000	Non-controlling Interest £'000	Total Equity £'000
Balance at 1 April 2020	**100,091**	**17,764**	**-**	**14,450**	**404,364**	**536,669**	**14,646**	**551,315**
Dividends	-	-	-	-	(31,010)	(31,010)	(2,211)	(33,221)
Comprehensive income								
Profit for the year	-	-	-	-	83,256	83,256	4,374	87,630
Currency translation differences	-	-	-	(6,174)	-	(6,174)	(431)	(6,605)
Total comprehensive income for the year	-	-	-	(6,174)	83,256	77,082	3,943	81,025
Fair value adjustment – loans	-	-	24,105	-	-	24,105	-	24,105
Balance as at 31 March 2021	**100,091**	**17,764**	**24,105**	**8,276**	**456,610**	**606,846**	**16,378**	**623,224**
Dividends	-	-	-	-	(34,526)	(34,526)	(2,945)	(37,471)
Comprehensive income/(expense)								
Profit for the year	-	-	-	-	54,892	54,892	4,682	59,574
Currency translation differences	-	-	-	(1,935)	-	(1,935)	(165)	(2,100)
Total comprehensive income for the year	-	-	-	(1,935)	54,892	52,957	4,517	57,474
Fair value adjustment – loans	-	-	4,115	-	(7,348)	(3,233)	-	(3,233)
Balance at 31 March 2022	**100,091**	**17,764**	**28,220**	**6,341**	**469,628**	**622,044**	**17,950**	**639,994**

TELEHOUSE HOLDINGS LIMITED

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

Year ended 31 March 2022

COMPANY	Share Capital	Retained Earnings	Total Equity
	£'000	£'000	£'000
Balance at 1 April 2020	**100,091**	**9,809**	**109,900**
Dividends	-	(2,328)	(2,328)
Profit for the year	-	122	122
Balance at 31 March 2021	**100,091**	**7,603**	**107,694**
Dividends	-	(2,021)	(2,021)
Loss for the year	-	(81)	(81)
Balance at 31 March 2022	**100,091**	**5,501**	**105,592**

The notes on pages 22 to 50 form part of these financial statements.

TELEHOUSE HOLDINGS LIMITED

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

Year ended 31 March 2022

	CONSOLIDATED		COMPANY	
	Year ended 31 March 2022	**Year ended 31 March 2021**	**Year ended 31 March 2022**	**Year ended 31 March 2021**
Cash flows from operating activities	**£'000**	**£'000**	**£'000**	**£'000**
Profit/(loss) before tax	90,499	115,497	(112)	193
Adjustments for:				
Depreciation of property, plant and equipment	26,335	24,927	-	-
Amortisation of intangibles	-	-	-	-
Finance costs	6,705	4,481	-	-
Finance income	(108)	(311)	(14)	(12)
(Profit)/loss on disposal of fixed assets	-	(15,133)	-	-
Share of profit in associates	(178)	(85)	-	-
(Increase)/decrease in debtors	(13,799)	(15,287)	852	2,111
Increase in creditors	8,769	3,195	-	-
Exchange (loss)/gain on borrowings	(583)	(1,742)	-	(1)
Cash generated from operations	**117,640**	**115,542**	**726**	**2,269**
Interest paid on leases	(35)	(46)	-	-
Income tax paid	(21,033)	(22,647)	(16)	-
Interest received	108	311	14	12
Net cash generated from operating activities	**96,680**	**93.160**	**724**	**2,281**
Cash flows from investing activities				
Purchase of property, plant and equipment	(62,806)	(120,278)	-	-
Proceeds from sale of fixed assets	-	23,203	-	-
Net cash used in investing activities	**(62,806)**	**(97,075)**	-	-
Cash flows from financing activities				
Repayment of borrowings	(7,209)	(52,525)	-	-
Proceeds from borrowings	24,601	91,524	-	-
Dividends paid	(37,471)	(33,221)	(2,021)	(2,328)
Principal element of lease payments	(587)	(1,311)	-	-
Interest paid on borrowings	(6,670)	(4,435)	-	-
Net cash generated/(used) in financing activities	**(27,336)**	**32**	**(2,021)**	**(2,328)**
Net (decrease)/increase in cash and cash equivalents	6,538	(3,883)	(1,297)	(47)
Cash and cash equivalents at beginning of year	16,017	17,417	1,337	1,384
Exchange gains/(losses) on cash and bank overdrafts	941	2,483	32	-
Cash and cash equivalents at the end of year	**23,496**	**16,017**	**72**	**1,337**

The notes on pages 22 to 50 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 accounting standards in conformity with the requirements of the Companies Act 2006. 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 accounting standards in conformity with the requirements of the Companies Act 2006. The Consolidated and Company financial statements have been prepared under the historical cost convention.

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

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year ended 31 March 2022. 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 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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:

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixtures and fittings	5 to 19 years
Plant and machinery	10 to 30 years
Office Equipment	3 years
Buildings	50 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) Leases

Since 1 April 2019 the Group has applied the requirements of IFRS 16 'Leases' as disclosed below to measure the values of associated assets and liabilities.

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.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases are recognised as a right of use ('ROU') asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

Right of use ('ROU') assets
At the lease commencement date a ROU asset is measured at cost comprising the following: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs; and restoration costs to return the asset to its original condition.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If ownership of the ROU asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset

Lease liabilities
Lease liabilities are initially measured at their present value, which includes the following lease payments: fixed payments (including in-substance fixed payments), less any lease incentives receivable; variable lease payments that are based on an index or a rate; 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; payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option; and payments to be made under reasonably certain extension options.

The lease payments are discounted using the interest rate implicit in the lease. The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of the minimum lease payments and the unguaranteed residual value to be equal to the fair value of the leased asset and any initial indirect costs of the lessor. For aircraft leases these inputs are either observable in the contract or readily available from external market data. The initial direct costs of the lessor are considered to be immaterial. If that rate cannot be determined, the Group's incremental borrowing rate is used.

Each lease payment is allocated between the principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. After the commencement date, the amount of lease liabilities is increased to reflect the interest expense and reduced for the lease payments made.

The Group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and those leases of low-value assets. Payments associated with short-term leases and leases of low-value assets are recognised on a straight line basis as an expense in the income statement.

Cash flow presentation
Lease payments are presented as follows in the Consolidated cash flow statement:.the repayments of the principal element of lease liabilities are presented within cash flows from financing activities; the payments of the interest element of lease liabilities are included within cash flows from operating activities, and; the payments arising from variable elements of a lease, short-term leases and low-value assets are presented within cash flows from operating activities.

(m) Revenue

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

Revenue represents income received from rent, colocation services, fitting out work, facilities management, power and cable installations and other value added services attributable to the Group's principal activities net of value added tax. Revenue is recognised in the Statement of Comprehensive Income in respect to the period in which the service is provided and all performance obligations are satisfied, 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.

In accordance with the requirements of IFRS15 customer installation works that are of a bespoke nature are identified. Revenue generated from these one off type customer installations is recognised on a straight line basis over the minimum term of the associated lease or colocation contract. The trigger for recognition is the point of acceptance of completed works by the customer. This policy has been applied consistently across all installation related revenue which has been identified as bespoke listed below:

- Fit out of area provided to customer under lease agreement or colocation contract which includes specific requirements from the customer which depart from services provided under standard customer installations.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

(n) 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.

(o) 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.

(p) Recent accounting developments

The accounting policies applied by the Company in these consolidated financial statements are in accordance with adopted IFRSs as detailed in the basis of preparation paragraph above and are the same as those applied by the Company in its consolidated financial statements for the year ended 31 March 2022 except for the standards mandatorily applicable as from 1 April 2021 which are described below under "new standards applicable from 1 April 2021".

New standards applicable from 1 April 2021

The application of the following new standards or amendments is also mandatory for the annual reporting period commencing 1 April 2021, but impact on the Company financial statements is immaterial:

- Interest Rate Benchmark Reform – Amendments to IFRS 9 'Financial instruments', IAS 39 'Financial instruments: Recognition and
- measurement' and IFRS 7 'Financial instruments: Disclosures

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 any new standards been adopted early.

(q) 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.

(r) 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.

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

Actual results in the future may differ from estimates upon which financial information has been prepared. These underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if these are also affected.

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 2022

	UK	FRANCE	GERMANY	OTHER	TOTAL
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Revenue	137,636	53,146	42,511	-	**233,293**
Operating profit/(loss)	62,568	23,441	10,912	(4)	**96,917**
Assets	697,521	195,420	110,281	(79,407)	**923,815**
Liabilities	181,263	46,437	70,101	(13,980)	**283,821**
Capital expenditure	42,725	7,972	12,109	-	**62,806**
Depreciation	16,169	5,721	4,445	-	**26,335**
Amortisation	-	-	-	-	-
Finance income	77	42	(12)	-	**108**
Finance costs	4,952	19	1,743	-	**6,705**
Taxation	21,347	6,524	3,054	-	**30,925**

Year ended 31 March 2021

	UK	FRANCE	GERMANY	OTHER	TOTAL
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Revenue	144,509	48,131	40,682	-	**233,322**
Operating profit/(loss)	73,397	22,093	8,967	(8)	**104,449**
Assets	657,809	162,747	106,397	(60,345)	**866,608**
Liabilities	145,094	28,956	69,996	(662)	**243,384**
Capital expenditure	101,241	4,946	14,091	-	**120,278**
Depreciation	15,008	5,828	4,091	-	**24,927**
Amortisation	-	-	-	-	-
Finance income	244	32	35	-	**311**
Finance costs	1,940	29	2,512	-	**4,481**
Taxation	18,335	6,678	2,854	-	**27,867**

3. FINANCE INCOME AND COSTS

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Interest income:		
Interest income from parent and other group company loans	107	310
Interest income	1	1
Finance income	**108**	**311**
Interest expense:		
Interest payable on parent and other group company loans	6,670	4,435
Interest payable on leases	35	46
Finance costs	**6,705**	**4,481**

4. PROFIT BEFORE TAX

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

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Amortisation:	-	-
Depreciation (Note 8)	26,335	24,927
Profit/(loss) on foreign exchange	209	(506)
Staff costs (Note 5)	26,480	25,298
(Profit)/loss on disposal of fixed assets	-	(15,133)

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 2022 £'000	Year ended 31 March 2021 £'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	197	187
- Audit related services	12	21
- Tax advisory services	45	20
	264	**238**

5. EMPLOYEES

The average monthly number of persons (including executive directors) employed by the Group during the year was:	CONSOLIDATED Year ended 31 March 2022 Number	CONSOLIDATED Year ended 31 March 2021 Number	COMPANY Year ended 31 March 2022 Number	COMPANY Year ended 31 March 2021 Number
Office and management	107	107	-	-
Facilities	35	35	-	-
Engineering and operations	118	118	-	-
Sales and marketing	41	41	-	-
	301	301	-	-
STAFF COSTS (for the above persons)	**£'000**	**£'000**	**£'000**	**£'000**
Wages and salaries	22,363	21,456	-	-
Social security costs	3,390	3,180	-	-
Other pension costs	727	662	-	-
	26,480	**25,298**	-	-

The Company contributed £634,457 (2021: £607,674) 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 2022 £'000	Year ended 31 March 2021 £'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.

The directors are remunerated by the Ultimate parent company KDDI Corporation and there is no recharge to Telehouse International Corporation of Europe Ltd for their services.

7. TAXATION

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Current tax		
Corporation tax	16,410	26,201
Adjustment in respect of prior years	(323)	(547)
Total current tax charge	16,087	25,654
Deferred tax (note 16)		
(Credit)/charge for the year	14,838	2,213
Charge for the year	**30,925**	**27,867**
Reconciliation of Current Tax Charge		
Profit before taxation	90,499	115,497
Profit before taxation multiplied by standard rate of UK Corporation tax of 19.0% (2021: 19.0%).	17,195	21,944
Effects of:		
Profits not taxable in the UK	(1,785)	(1,713)
Non-taxable income/non-deductible losses	(34)	(16)
Non-deductible expenses	58	(85)
Depreciation - ineligible items	1,616	1,621
Depreciation - eligible items	2,016	1,860
Capital allowances	(9,202)	(3,661)
Other tax adjustments	876	592
Gain on sale of land	-	(2,875)
Chargeable gain	-	2,700
Timing difference for tax arising on capital assets	14,890	2,213
Higher tax on non UK profits	5,617	5,835
Deferred tax on acquired intangibles	-	-
Adjustment in respect of prior years	(323)	(547)
Short term timing differences	1	(1)
	13,730	5,923
Total taxation charge for the year	**30,925**	**27,867**

The year-end deferred tax liabilities have been measured at the latest substantively enacted tax rate effective from 1 April 2022 of 19.0% as it is anticipated that they will be paid at this rate before any future period enacted tax rates come into effect.

On 23 March 2022, the Chancellor of the Exchequer confirmed that the corporation tax rate will remain unchanged at 19% for the financial year beginning 1 April 2022. However for the financial year beginning 1 April 2023 the corporation tax rate will increase to 25.0%.

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 2020	**24,314**	**55,156**	**295,587**	**6,677**	**189,923**	**176,534**	**71,513**	**819,704**
Additions	7,302	5,573	76,295	135	18,944	7,387	4,642	120,278
Disposals	-	(8)	-	(2,439)	(2)	-	(1,259)	(3,708)
Transfers	(29,100)	88	13,831	-	-	-	15,181	-
Currency realignment	(1,104)	(181)	(1,340)	-	(3,605)	(930)	(1,986)	(9,146)
At 31 March 2021	**1,412**	**60,628**	**384,373**	**4,373**	**205,260**	**182,991**	**88,091**	**927,128**
Additions	12,109	1,440	16,232	222	20,071	11,572	1,160	62,806
Disposals	-	-	-	-	(1,337)	(5,141)	(141)	(6,619)
Transfers	(4,028)	276	1,010	-	-	-	2,742	-
Currency realignment	(766)	(63)	(650)	(3)	(1,241)	(319)	(864)	(3,906)
At 31 March 2022	**8,727**	**62,281**	**400,965**	**4,592**	**222,753**	**189,103**	**90.988**	**979,409**
Accumulated depreciation								
At 1 April 2020	-	**180**	**5,678**	**4,701**	**93,894**	**77,484**	**31,919**	**213,856**
Charge for the year	-	207	2,144	805	8,925	8,098	4,748	24,927
Disposals	-	-	-	(2,439)	(2)	-	(1,137)	(3,578)
Currency realignment	-	(29)	(23)	-	(2,062)	(788)	(866)	(3,768)
At 2021	-	**358**	**7,799**	**3,067**	**100,755**	**84,794**	**34,664**	**231,437**
Charge for the year	-	252	2,398	549	9,569	8,198	5,369	26,335
Disposals	-	-	-	-	(1,337)	(5,141)	(141)	(6,619)
Currency realignment	-	(12)	(8)	(3)	(725)	(270)	(307)	(1,325)
At 31 March 2022	-	**598**	**10,189**	**3,613**	**108,262**	**87,581**	**39,585**	**249,828**
Net book value								
At 31 March 2022	**8,727**	**61,683**	**390,776**	**979**	**114,491**	**101,522**	**51,403**	**729,581**
At 31 March 2021	**1,412**	**60,270**	**376,574**	**1,306**	**104,505**	**98,197**	**53,427**	**695,691**

Included within fixtures and fittings are reinstatement assets of £1.15m (2021: £1.20m).

Cost of assets fully depreciated								
At 31 March 2022	-	-	3,435	-	67.369	30,087	14,670	115,561
At 31 March 2021	-	-	3,589	-	59,421	21,770	17,365	102,145

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 2020	26,589	190	6,160	4,808	37,747
At 31 March 2021	**26,589**	**190**	**6,160**	**4,808**	**37,747**
At 31 March 2022	**26,589**	**190**	**6,160**	**4,808**	**37,747**
Accumulated amortisation					
At 1 April 2020	-	190	6,160	4,808	11,158
Charge for the year	-	-	-	-	-
At 31 March 2021	-	190	6,160	4,808	11,158
At 31 March 2022	**-**	**190**	**6,160**	**4,808**	**11,158**
Net book value					
At 31 March 2022	**26,589**	**-**	**-**	**-**	**26,589**
At 31 March 2021	**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 5.13%. 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 2022 £'000	31 March 2021 £'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 through 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 unlisted UK incorporated associate, in which it holds a 36.05% share (reduced from 40.18% following the sale of land at the Docklands campus in May 2020), 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	%
2022		3,350	841	552	178	36.05
2021		3,501	840	540	85	36.05

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 £85k 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 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000
Due within one year:				
Trade receivables	44,181	38,058	-	-
Amounts owed by related parties	84,116	79,976	9,770	10,622
Prepayments	7,463	5,976	-	-
Accrued income	1,740	1,159	-	-
Other debtors	3,616	2,148	82	82
	141,116	**127,317**	**9,852**	**10,704**

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 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000
Cash at bank and in hand	22,474	15,210	72	1,337
Short-term bank deposits	1,022	807	-	-
	23,496	16,017	72	1,337

The effective interest rate on short term deposits was % (2021: 0.14%) and these deposits have an average maturity of days 30 days (2021: 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 2022	31 March 2021
	£'000	£'000
AUTHORISED:		
120,000,000 (2020: 120,000,000) ordinary shares of £1 each	120,000	120,000
ALLOTTED CALLED UP AND FULLY PAID		
100,090,539 (2020: 100,090,539) ordinary shares of £1 each	100,091	100,091

15. RESERVES

	CONSOLIDATED		COMPANY	
	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000
Retained earnings				
At beginning of the year	456,610	404,364	7,603	9,809
Fair value adjustment – loans	(7,348)	-	-	-
Profit/(loss) for the year	54,892	83,256	(81)	122
Dividends	(34,526)	(31,010)	(2,021)	(2,328)
At end of the year	469,628	456,610	5,501	7,603
Revaluation reserve				
At beginning of the year	17,764	17,764	-	-
At end of the year	17,764	17,764	-	-
Capital contribution reserve				
At beginning of the year	24,105	-	-	-
Fair value adjustment – loans	4,115	24,105	-	-
At end of the year	28,220	24,105	-	-
Other reserves				
At beginning of the year	8,276	14,450	-	-
Translation adjustment on foreign held net assets	(1,935)	(6,174)	-	-
At end of the year	6,341	8,276	-	-
Total reserves	**521,953**	**506,755**	**5,501**	**7,603**

16. DEFERRED INCOME TAX

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

	CONSOLIDATED	
	Year ended 31 March 2022	Year ended 31 March 2021
	£'000	£'000
Beginning of the year	30,237	28,024
Statement of Comprehensive Income charge/(credit)	14,838	2,213
End of year	45,075	30,237

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 2021	22,947	(703)	7,993	**30,237**
Charged/(Credited) to the Statement of Comprehensive Income	14,837	1	-	14,838
At 31 March 2022	37,784	(702)	7,993	45,075

17. BANK AND OTHER LOANS

	CONSOLIDATED		COMPANY	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
Current	£'000	£'000	£'000	£'000
Loans owed to the ultimate parent company	-	-	-	-
Loans owed to other group companies	50,129	26,896	-	-
Fair value adjustment	(6,024)	(46)	-	-
	44,105	26,850	-	-
Non-Current				
Loans owed to the ultimate parent company	-	-	-	-
Loans owed to other group companies	112,221	118,645	-	-
Fair value adjustment	(10,736)	(20,309)	-	-
	101,485	98,336	-	-
Total borrowings	145,590	125,186	-	-

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 0.5 – 0.9% (London) and 0.2 – 0.7% (Germany). All long term loans are unsecured and due for repayment by March 2029.

Where loans are received from related parties at below-market rates of interest, the fair value of the loans is calculated and the difference between fair value and the loan amount is recorded as a capital contribution to the company and shown within equity.

18. DEFERRED INCOME

Contract liabilities (deferred income) primarily relate to the consideration received from customers in advance of transferring a good or services. The following table provides movements in contract liabilities in the period:

	CONSOLIDATED	COMPANY
	Contract Liabilities £'000	Contract Liabilities £'000
Balance at 1 April 2021	43,541	-
Decreases due to revenue recognised in the period	(117,979)	-
Increase due to cash received	124,946	-
Balance at 31 March 2022	**50,508**	**-**

19. TRADE AND OTHER PAYABLES

	CONSOLIDATED		COMPANY	
	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000
Trade creditors	5,845	8,082	-	-
Customer security deposits	7,692	7,426	-	-
Other tax and social security	2,976	2,525	-	-
Amounts owed to related parties	74	-	1,021	1,021
Accruals	24,223	20,977	31	31
Total trade and other payables	**40,809**	**39,010**	**1,052**	**1,052**

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

20. CURRENT INCOME TAX LIABILITIES/(ASSETS)

	CONSOLIDATED		COMPANY	
	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000
Corporation tax	(1,861)	3,085	53	69

21. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	CONSOLIDATED	
	Reinstatement costs	**Total**
	£'000	**£'000**
At 1 April 2021	1,170	1,170
Exchange gain credited to the Statement of Comprehensive Income	(90)	(90)
At 31 March 2022	**1,080**	**1,080**

Analysis of total provisions:

	31 March 2022	31 March 2021
	£'000	£'000
Non-current	1,080	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 2022	31 March 2021
	£'000	£000
Right-of-use assets		
Buildings	425	1,016
Others	554	290
	979	1,306
Lease liabilities		
Current - less than one year	558	534
Non-current – between one and five years	201	621
	759	1,155

Additions to the right of use assets during the financial year were £222k .

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
Lease liability recognised as at 1 April 2021	**1,155**
Of which are:	
Current lease liabilities – less than one year	534
Non-current lease liabilities – between one and five years	621

22. LEASES (CONTINUED)

Additional lease liabilities recognised during the year ending 31 March 2022	137
Less payments made during the year ending 31 March 2022	(587)
Exchange loss	54
Lease liability recognised as at 31 March 2022	759
Of which are:	
Current lease liabilities – less than one year	558
Non-current lease liabilities – between one and five years	201

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

	Year ending 31 March 2022
	£'000
Depreciation charge of right-of-use assets	
Buildings	(368)
Others	(181)
	(549)
Interest expense (included in finance cost)	(35)

The total cash outflow for leases in the year was £587k.

(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 have been 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 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000
Financial assets				
Loans and receivables				
- Cash and cash equivalents	23,496	16,017	72	1,337
- Trade and other receivables	133,653	121,341	9,852	10,704
Financial liabilities				
Amortised cost				
- Borrowings	145,590	125,186	-	-
- Trade and other payables	16,586	18,033	1,021	1,021

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 £145.6m as at 31 March 2022.

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 25 days (2021: 34 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 2022. The loss allowances for trade receivable as at 31 March 2022 reconcile to the opening loss allowances as follows:

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

	Trade receivables 31 March 2022 £'000	31 March 2021 £'000
Opening loss allowance at 1 April	290	784
Increase in loss allowance recognised in Profit or loss during the year	76	-
Receivables written off during the year as uncollectible	(4)	(58)
Unused allowance reversed	-	(436)
Closing loss allowance at 31 March	362	290

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 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000
Cash and cash equivalents – Standard & Poor's credit ratings Long term Rating				
A+	1,732	535	-	-
A	21,733	14,745	72	1,337
A-	31	737	-	-
	23,496	16,017	72	1,337

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.

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 2022 and 31 March 2021 were as follows:

	CONSOLIDATED	
	31 March 2022 £'000	**31 March 2021 £'000**
Total borrowings (Note 17)	145,590	125,186
Lease Liabilities (Note 20)	759	1,155
Less: cash and cash equivalents (Note 13)	(23,496)	(16,017)
Net debt	122,853	110,324
Total equity	639,994	623,224
Total capital	**762,847**	**733,548**
Gearing ratio	**16.1%**	**15.0%**

24. CAPITAL COMMITMENTS

	CONSOLIDATED		COMPANY	
	31 March 2022	**31 March 2021**	**31 March 2022**	**31 March 2021**
	£'000	**£'000**	**£'000**	**£'000**
Contracted for, but not provided, in these financial statements	24,188	10,028	-	-

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 2022 £'000	Year ended 31 March 2021 £'000	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
- the ultimate parent (KDDI Corporation)	449	606	-	-
- other related parties	9.193	10,936	-	-
Total	**9,642**	**11,542**	-	-

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 2022 £'000	Year ended 31 March 2021 £'000	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
- the ultimate parent (KDDI Corporation)	1	8	-	-
- other related parties	3,312	3,052	-	-
Total	**3,313**	**3,060**	-	-

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 2022 £'000	Year ended 31 March 2021 £'000	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Salaries and short term employee benefits	1,624	1,921	1,624	1,921
Total compensation	**1,624**	**1,921**	**1,624**	**1,921**

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 financial statements for a final bonus in respect of 2021, which have been paid in April 2022. Included within that provision are the amounts in respect of key management compensation of £220,021.

26. RELATED PARTY DISCLOSURES (CONTINUED)

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

	CONSOLIDATED		COMPANY	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£'000	£'000	£'000	£'000
Receivables from ultimate parent	74	74	-	-
Receivables from other related parties	84,042	79,902	9,770	10,622
Total receivables from related parties	**84,116**	**79,976**	**9,770**	**10,622**
Payables to ultimate parent	28	28	-	-
Payables to other related parties	45	(28)	1,021	1,021
Total payables to related parties	**74**	**-**	**1,021**	**1,021**

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 2022 £'000	Year ended 31 March 2021 £'000
Beginning of year	125,186	108,284
Loans undertaken during the year	24,601	91,524
Fair value adjustment for loans acquired (Long term)	3,595	(20,355)
Loan repayments	(7,209)	(52,525)
Exchange rate movement	(583)	(1,742)
End of year	**145,590**	**125,186**

The loans from related parties carry interest at average rate of 0.38% (2021: 0.38%).

27. ANALYSIS OF CHANGES IN NET DEBT

	CONSOLIDATED AND COMPANY				
	1 April 2021	Cash flows	Fair value adjustment	Currency exchange adjustment	31 March 2022
	£'000	£'000	£'000	£'000	£'000
Bank overdrafts	-	-	-	-	-
Cash at bank and in hand (Note 13)	15,210	6,323	-	941	22,474
Short term deposits (Note 13)	807	215	-	-	1,022
	16,017	6,538	-	941	23,496
Debt due within one year (Note 17)	(26,850)	(23,233)	5,978	-	(44,105)
Debt due in more than one year (Note 17)	(98,336)	7,007	(9,573)	(583)	(101,485)
	(125,186)	(16,226)	(3,595)	(583)	(145,590)
Lease liabilities due within one year (Note 22)	(534)	(21)	-	(3)	(558)
Lease liabilities due in more than one year (Note 22)	(621)	471	-	(51)	(201)
	(1,155)	450	-	(54)	(759)
Total	**(110,324)**	**(9,238)**	**(3,595)**	**304**	**(122,853)**

28. EVENTS AFTER THE REPORTING PERIOD

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