Registration number: 03672650

Equinix (UK) Limited

Annual report and financial statements

For the financial year ended 31 December 2019

Equinix (UK) Limited

Contents

Company Information

Directors	Russell Poole Eugenius Bergen Henegouwen (appointed 1 May 2019)
Registered number	03672650
Registered office	Masters House 107 Hammersmith Road London W14 0QH
Independent auditor	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 40 Clarendon Road Watford WD17 1JJ

Strategic Report
for the Year Ended 31 December 2019

The directors present their strategic report on Equinix (UK) Limited ("the Company") for the year ended 31 December 2019.

Principal activities

The Company designs and operates network neutral datacentres in the United Kingdom. The Company's principal business is to provide network-neutral datacentre and interconnection services, offering premium collocation, traffic exchange and managed IT infrastructure solutions. Global enterprises, financial companies, content providers, cloud and IT services companies, and network service providers look to Equinix datacentres for world-class reliability and network diversity. Equinix datacentres serve as critical, core hubs for IP networks and internet operations worldwide.

Business review

The Company measures its financial performance by reference to third party turnover and gross profit margin.

The revenue of the Company increased in 2019 to £373,360 thousands (2018- £331,362 thousands), the driver of the increase in revenue is a combination between increase in capacity of datacenters and new customers. Gross profit margin decreased to 17% (2018- 19%), the decrease is mainly due to increase in depreciation expenses due to increase in capacity and adoption of new accounting standard on leases. Please refer to note 2.1 in the Notes to Financial Statements.

The Company's profit for the financial year decreased and amounted to £9,715 thousands (2018- £20,368 thousands).

In 2019, Equinix, Inc. entered into a joint venture in the form of a limited liability partnership with GIC Private Limited, Singapore's sovereign wealth fund ("GIC") (the "Joint Venture"), to develop and operate xScale™ data centers in Europe to serve the needs of the growing hyperscale data center market, including the world's largest cloud service providers. xScale data centers are engineered to meet the technical and operational requirements and price points of core hyperscale workload deployments and also offer access to Equinix's comprehensive suite of interconnection and edge services.

The following two datacenter properties have been identified as the data centers that have been included in Phase 1 of the Hyperscale business for Equinix UK Limited: London 10 ("LD10") and London 13 ("LD13").

In October 2019, the Company sold the assets and the liabilities related to the two data centers for a total amount of £147,873 thousands. Part of this consideration, the amount £29,095 thousands represents the future commitments the company has for future developments on the sites sold. The total amount of the fixed assets disposed in the transaction was £131,292 thousands and there was also a decrease in lease liabilities of £13,991 thousands. Other assets and liabilities elements of the transaction amount to £1,010 thousands receivable. The result of the transaction amounting to £467 thousands gain.

Additionally, the Company entered into a leasing agreement with the joint venture for collocation space at the LD13 site. The lease commenced upon closing date of the sale transaction and the term is 15 years. As part of this agreement the company recorded fixed assets of £102,208 thousands and a liability of £102,735 thousands and interest recorded in the income statement of £604 thousands.

Business Review (continued)

The Company's results are in line with the expectations for the business.

The results for the year and the financial position of the Company are shown in the financial statements and notes on pages 16 to 57.

Business environment

The UK datacentre market is well established and dominated by a number of key players including the Company. The market is predominantly centred around the South East with the majority of major datacentres located on the periphery of London.

The market continues to show strong growth, driven by increasing internet traffic, rises in requirements for power and cooling, the expansion of computing requirements of the financial services industry, the emergence of Cloud Computing and Software as a Service, despite the high capital costs associated with building and maintaining in-sourced datacentres.

The competitive landscape remains aggressive but the Company's positioning, based on the quality of its service and the value to its customers of being present in an Equinix International Business Exchange (IBX), has allowed pricing to be maintained at the high end of the current market range.

Strategy

The Company's intention is to expand its leadership position as a premier, network neutral datacentre operator for cloud and IT services providers, content providers, financial companies, enterprise and network services providers.

The Company operates 'Platform Equinix', a concept that describes the business optimisation customers can achieve by being present in Equinix IBX datacentres, ranging from resilience through to interconnection, global reach, access to multiple low-latency networks and the opportunity to participate in financial services and networks ecosystems.

In addition, the Company has expanded its go-to-market strategy by focusing on the key vertical markets of Financial Services, Networks, Content & Digital Media, Enterprise and Cloud & IT services, developing specific value propositions for each market.

Future outlook

The Company will continue to look for attractive opportunities to grow its market share and improve its service offerings. The Company believes that the market for its services continues to provide the strong growth prospects that will enable it to maintain and improve its current performance.

Financial risks

Financial risks facing the Company are monitored through a process of regular assessment by the Company's management team.

The risks that Company has considered relate to pricing, datacentre running costs and bad debt.

Liquidity risk can be adequately managed, as the business is highly cash generative, by cash flow forecasting to ensure sufficient cash balances are maintained, particularly at times when the Company is investing heavily in new capital infrastructure.

The Company is exposed to interest rate fluctuations on its variable rate long term borrowing. The Company aims to obtain funding to meet its business needs at competitive rates of interest. Borrowings are managed centrally by the Group Treasury function.

Principal risks and uncertainties

Operating risks facing the Company are monitored through a process of regular assessment by the Company's management. Principal risks include:

Failure of physical infrastructure: The Company's business depends on providing customers with a highly reliable service. The Company must protect its customers' infrastructure and equipment located in its IBX datacentres. The services the Company provides in each of its datacentres are subject to failure resulting from numerous factors, including: human error; equipment failure; physical, electronic and cyber security breaches; natural disasters; extreme temperatures; water damage; fibre cuts; power loss; sabotage; or terrorist acts. Problems at one or more of the Company's datacentres could result in service interruptions or significant equipment damage.

Prolonged power outages: The Company's business could be harmed by prolonged electrical power outages or shortages. The Company attempts to limit exposure to system downtime by using backup generators and power supplies. However, the Company is not able to eliminate its exposure entirely even with these protections in place.

Security breaches: The Company may be vulnerable to security breaches which could disrupt its operations and have a material adverse effect on its financial performance and operating results. A party who is able to compromise the security measures on the Company's networks or the security of the Company's infrastructure could misappropriate personal or proprietary information of its customers, or cause interruptions or malfunctions in the Company's operations or its customers' operations. As the Company provides assurances to its customers that it provides the highest level of security, such a compromise could be particularly harmful to the Company's brand and reputation. The Company may be required to expend significant capital and resources to protect against such threats or to alleviate problems caused by breaches in security.

Environmental regulations: These may impose new or unexpected costs. The Company is subject to environmental and health and safety regulations, including those relating to the generation, storage, handling and disposal of hazardous waste. The Company's operations involve the use of hazardous substances, such as petroleum fuel for emergency generators, as well as batteries. To the extent that any hazardous substances or any other substance or material must be cleaned up, the Company may be responsible under applicable regulations, the cost of which could be substantial. The Company maintains extremely high standards of health and safety compliance throughout the organisation.

Products and services have long sales cycles: A customer's decision to license cabinet space in one of the Company's IBX datacentres and to purchase additional services typically involves a significant commitment of resources. In addition, some customers will be reluctant to commit to locating in the Company's IBX datacentres until they are confident that the IBX datacentre has adequate carrier connections. As a result the Company has a long sales cycle. Furthermore, the Company may expend significant time and resources in pursuing a particular sale or customer that does not result in revenue. It takes time for new sales hires to become fully productive, so any loss of sales staff is a risk to the business.

Global economic uncertainty could adversely impact the Company's business. Economic uncertainty in the USA or Europe, resulting in a downturn, could result in churn in the Company's customer base, reductions of sales of its products and services, longer sales cycles, slower adoption of new technologies and increased price competition.

Brexit: On 23 June 2016 the U.K. held a referendum and voted to withdraw from the European Union ("Brexit"). On 29 March 2017, the U.K. delivered notice to the European Council in accordance with Article 50 of the Treaty on European Union ("EU") of the U.K.'s intention to withdraw from the EU. On 31 January 2020, the UK formally exited the EU. A transition period up to 31 December 2020 was enacted. As a result of this, there remains uncertainty in the UK market including but not limited to; foreign exchange volatility, movement of people impacting staff availability, and asset volatility in the financial markets.

The Company's principal business is to provide network-neutral datacentre and interconnection services, offering premium collocation, traffic exchange and managed IT infrastructure solutions. Global enterprises, financial companies, content providers, cloud and IT services companies, and network service providers look to Equinix datacentres for world-class reliability and network diversity. Equinix datacentres serve as critical, core hubs for IP networks and internet operations worldwide. The Company's main operations are conducted in the United Kingdom.

The management of the Company is continuously monitoring the developments related to Brexit as to take active steps in covering the risks that might impact to the business. Over the long term, we continue to believe that Brexit will not have a material impact to the business. As the Brexit transition deadline is approaching and there is currently no agreement, Equinix is prepared if the UK needs to rely on World Trade Organisation (WTO) terms based on common areas of concern for companies operating or purchasing services in the United Kingdom.

Pandemic risk: The COVID-19 outbreak and resulting measures taken by various governments to contain the virus have already negatively affected the Global economy. The extent, scope and duration of the coronavirus global pandemic (COVID-19) and related government actions has impacted, and may continue to impact many aspects of our business, including through workforce limitations, travel restrictions, supply chain disruptions, and for some of the products and services that we provide to our customers. The impact assessment is disclosed under "Post balance sheet events" in the directors' report and the notes to the financial statements.

Strategic Report
for the Year Ended 31 December 2019

Statement by the Directors in relation to Performance of their Statutory Duties in accordance with Section 172(1) Companies Act 2006 (Section 172)

The directors of the Company considered that they have acted in good faith and would be most likely to promote the success of the Company for the benefits of its members as a whole having regards to stakeholders and matters set out in Section 172 in the decisions taken during the year ended 31 December 2019.

The ultimate parent undertaking and controlling party is Equinix, Inc. a company incorporated in the United States of America. Equinix, Inc. is the ultimate parent undertaking of the largest and smallest group in which the results of the Company are consolidated. As part of a global group the Company is combining the global knowledge with the local expertise.

When making decisions, each director ensures that they are acting in the way that is considered, in good faith and would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

Long term decision making (The likely consequences of any decision in the long term)

The Company designs and operates network neutral data centres in the United Kingdom. The objective of the Company is to allow the customers to increase information and application delivery performance for users, and quickly deploy distributed IT infrastructures and access business and digital ecosystems, all while significantly reducing costs. The quality of our IBX data centers, interconnection offerings and edge services have enabled the Company to establish a critical mass of customers. As more customers choose Platform Equinix, for bandwidth cost and performance reasons it benefits their suppliers and business partners to collocate in the same data centers and connect directly with each other.

The directors understand the business and the environment in which the Company operates, including the specific challenges in the UK. At the same time as being part of a global group, the decision making is a progress that is discussed and taken in compliance with the global controls and internal procedures that are in place in order to prevent errors and fraud.

The directors recognise that the Company works from a global perspective and decisions that are impacting in the long term are taken in accordance with the term plan designed to have a beneficial impact on the Company as a whole and to contribute to its success and satisfaction of the stakeholders.

Employees interests (The interests of the Company's employees)

The directors recognise the employees as fundamental and core to the business in order to deliver high quality services. The success of the Company depends on creating a culture that will attract, retain and motivate employees. The involvement and commitment of the directors ensures that the Company remains a responsible employer from salaries and benefits to safety in workplace environment.

Further details related to the employees engagement are presented in section Stakeholder engagement (including employees engagement) below.

Statement by the Directors in relation to Performance of their Statutory Duties in accordance with Section 172(1) Companies Act 2006 (Section 172) (continued)

Company's business relationships with suppliers, customers and other stakeholders

The directors recognise that delivering companies strategy requires strong mutual beneficial relationship with all the stakeholders.

The Company is a wholly owned subsidiary that benefits from the global presence of the ultimate parent, Equinix, Inc. It creates the advantage that ensures priorities of suppliers and customers are continuously analysed by specialised departments in the business.

The Company operates 'Platform Equinix', a concept that describes the business optimisation customers can achieve by being present in Equinix IBX datacentres, ranging from resilience through to interconnection, global reach, access to multiple low-latency networks and the opportunity to participate in financial services and networks ecosystems.

Moreover, the directors receive information updates on a variety of topics that indicate and inform how these stakeholders have been engaged. The directors are more involved in maintaining close relationships with the clients in the UK environment.

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

Directors are interested in the Company constantly looking to be in compliance with the laws and environmental regulation from each location. The Company's approach is to use its position of strength in order to create positive impact for people and communities.

The purchases of significant amounts of energy from generating facilities and utility companies that are subject to environmental laws, regulations and permit requirements has driven the Company to explore and procure more energy from renewable energy projects in order to support new renewable development.

The desirability of the Company maintaining a reputation for high standards of business conduct

The directors are committed to the highest standards of business and professional conduct. The ethics and compliance office is working with the directors, management and employees to promote compliance with the annual approved Equinix Code of Business Conduct and all applicable laws and regulations.

The Ethics and Compliance team and directors responsible for several programs focused on training and compliance in areas like: code of business conduct, ethics and compliance helpline and anti-bribery and corruption.

This information is incorporated by reference to the Equinix proxy statement for the 2020 Annual Meeting of Stockholders and is also available on our website, www.equinix.com.

Acting fairly between members of the Company

The group together with the Directors together with specialised departments consider which course of action best in order to delivery of our strategy through the long-term, taking into consideration the impact on stakeholders. In doing so, our directors act fairly as between the Company's members.

Statement by the directors in relation to Performance of their Statutory Duties in relation to Stakeholder engagement and employee engagement

As presented in Section 172 the directors recognise that delivering the Company's strategy requires strong mutual beneficial relationship with all the stakeholders.

The global presence of the Company creates the advantage that suppliers and customers needs are continuously analysed by specialised departments in the business. The directors take actions through surveys and communication with the employees and specific departments in order to be aware of the relationships with the stakeholders and act if needed. The board also engaged with certain stakeholders directly, to understand their views.

Employees: During the year the directors engagement with employees is usually through quarterly surveys, training and quarterly meetings. The involvement and commitment of the directors ensures that the Company remains a responsible employer from salaries and benefits to safety in workplace environment. During the quarterly meetings the employees can ask questions and get updates about the business and future plans.

Suppliers: During the year, information on suppliers and their performance can be accessed at any time by the directors of the Company through Power BI reporting. Information about any suppliers can be found in detail in the reporting board. Also the Source to Pay Transformation Program (S2P) established a new global procurement operating model that streamline the procurement processes; defined new operating norms in supply management and related finance processes; roll-out a global end to end S2P platform and and establish a Center of Expertise to support the business users including the directors.

Customers: The Company operates 'Platform Equinix', a concept that describes the business optimisation customers can achieve by being present in Equinix IBX datacentres, ranging from resilience through to interconnection, global reach, access to multiple low-latency networks and the opportunity to participate in financial services and networks ecosystems. Using this platform and their expertise the directors engage with customer and customers questions.

Community and Environment: The Company is committed to giving back to the communities in which it operates. During the year, there were various charity events and the Company contributes on matching the donations. Also in relation to the environment, active steps are taken by the Company in order to decrease the carbon print.

Regulators: During the year there is a specialised team that is monitoring the changes in laws and regulations. All this are also being communicated to the directors and active steps are taken to make sure that the Company is compliant.

Investors: The Company is a wholly owned subsidiary of Equinix, Inc. The group is listed on the NASDAQ exchange market. Information for the investors are always available on the website www.equinix.com, investors section. The UK market is an important part of the business for the group.

Strategic Report
for the Year Ended 31 December 2019

Approved by the Board on 18 December 2020 and signed on its behalf by:

Eugene Bergen
Eugene Bergen (Dec 18, 2020 17:57 GMT+1)

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Eugenius Bergen Henegouwen
Director

Date: 18 December 2020

Directors' Report
for the year ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

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 regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

• select suitable accounting policies and then apply them consistently;
• state whether applicable United Kingdom Accounting Standards, comprising FRS 101, 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 Company will continue in business.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' confirmations

In the case of each directors in office at the date the Directors' Report is approved:

• so far as they is aware, there is no relevant audit information of which the Company's auditors are unaware, and
• they have taken all the steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Results and dividends

The profit for the financial year amounted to £9,715 thousands (2018- £20,368 thousands).

The directors do not propose the payment of a dividend in respect of 2019 (2018 - £nil).

The financial risk sections are disclosed in the strategic report.

Directors' Report
for the year ended 31 December 2019

Directors of the company

The directors, who served during the year and up to date of signing these financial statements were:

Russell Poole

Eugenius Bergen Henegouwen (appointed 1 May 2019)

Eric Schwartz (resigned 1 May 2019)

Future developments

A review of the business and likely future developments is contained in the strategic report.

Going concern

On 31 December 2019, the Company is in a net current assets position of £26,562 thousands (2018 - £38,256) and net assets position of £249,998 thousands (2018 - £241,961 thousands).

The Company meets its day-to-day working capital requirements through its cash reserves and borrowings.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current cash reserves and borrowings. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Employee involvement

The Company has been constantly active in developing arrangements aimed at involving its employees in the entity's affairs by constant communication of the management decisions and the financial situation of the Company, regular surveys and consultation with the employees on the views taken in account when taking decisions, encouragement of employees participation in the Company's performance by employee share scheme.

All the applicants for employment will be given a full and fair consideration to make to the Company, training, career promotion and continuing employment.

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. The Company, through its ultimate parent, Equinix, Inc., operates a number of share option plans namely, Employee Share Purchase Plan (ESPP) and Restricted Stock Units (RSU). Some employees are entitled to a grant of options or other share awards once they commence employment.

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible be identical to that of other employees.

Modern Slavery Act

Equinix's ethics and values are core to our people and culture and how we conduct our business in the United Kingdom and around the world. Equinix is opposed to modern slavery or human trafficking in all its forms and we expect the same opposition from all who work for us and we demand it from anyone with whom we have business dealings. Our ethics and values are clearly embodied in our Code of Business Conduct, and, as directors, we have taken steps to ensure we have processes in place to ensure that all of our employees agree to comply with our Code of Business Conduct, and all employees undergo on-going training and are asked to certify such compliance. These same ethics and values are impugned to our suppliers and vendors through a series of measures, including our Business Partner Code of Conduct.

With regard to the major suppliers and vendors, global and local, to our business, the directors have taken steps to ensure we have employees focused on procurement activities who carry out proper due diligence and implement appropriate vendor selection criteria that include due regard to the ethical standards and corporate values which are consistent with the principles embodied in the Modern Slavery Act 2015. The directors have overseen that we have implemented contractual provisions into our standard terms and conditions of purchase and supplemental contracts for the supply of goods and services that require such suppliers and vendors to comply with the requirements of the Modern Slavery Act 2015, including our right to request evidence of compliance with such requirements at any time upon reasonable notice.

Equinix is committed to continuing to improve its procurement policies, processes and practices in order to play its part towards the goal of eradicating any form of modern slavery and human trafficking in global supply chains around the world.

Post balance sheet events

The Company's activities began to be affected by COVID-19 in the first quarter of 2020 as on 29 February 2020, the World Health Organization ("WHO") raised the COVID-19 threat from high to very high, and on 11 March 2020, the WHO characterised COVID-19 as a global pandemic.

The Company's IBX data centres have been identified as "essential businesses" or "critical infrastructure" by local governments for purposes of remaining open during the COVID-19 pandemic. All of our IBX data centres remain operational as at date of approval of the financial statements.

The COVID-19 pandemic has not had a material impact on the Company's financial performance and cashflows until the date of approval of these accounts. The Company has taken a number of health and safety measures to monitor and reduce the effects of the COVID-19 pandemic on our staff, including working from home and social distancing.

The impact that COVID-19 will have on the Company in 2020 and 2021 remains uncertain and ultimately will be dictated by the length and severity of the pandemic, impact on customers and vendors, as well as the economic recovery and local government actions taken in response. The management will continue to evaluate the nature and extent of these potential impacts to its business and financial statements.

Directors' Report
for the year ended 31 December 2019

Post balance sheet events (continued)

On the date of the approval of Company's financial statements, the management of the Company is not aware of any significant uncertainties which call into question the ability of the Company to continue operating. The COVID-19 pandemic is considered to be a non-adjusting subsequent event and thereby is not reflected in the balance sheet or operating results of the Company for the year ended 31 December 2019. There are no other significant events affecting the Company since the year end.

Qualifying third party indemnity provisions

The Group purchased directors' and officers' liability insurance for all directors and maintained such insurance throughout the year and at the date of approval of the financial statements. The Group has entered into qualifying third party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

Statement by the Directors in relation to Performance of their Statutory Duties in accordance with Section 172(1) Companies Act 2006

The Section 172 statement, stakeholders engagement and employee engagement have been discussed in the strategic report.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board on 18 December 2020 and signed on its behalf by:

Eugene Bergen
Eugene Bergen (Dec 18, 2020 17:57 GMT+1)

Eugenius Bergen Henegouwen
Director

Date: 18 December 2020

Independent auditors' report to the members of Equinix (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Equinix (UK) Limited 's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); 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 and financial statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2019; the Income Statement and Statement of Comprehensive Income, the Statement of Changes in Equity for the year ended 31 December 2019; 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Independent auditors' report to the members of Equinix (UK) Limited (continued)

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 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 10, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Hitesh Haria (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
18 December 2020

Income Statement and Statement of Comprehensive Income
for the year ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Revenue	4	373,360	331,362
Cost of sales		(308,159)	(268,540)
Gross profit		**65,201**	**62,822**
Administrative expenses		(16,115)	(19,654)
Operating profit	5	**49,086**	**43,168**
Interest receivable and similar income	6	96	66
Interest payable and expenses	7	(28,379)	(16,554)
Other non-operating income		2,474	-
Profit before tax		**23,277**	**26,680**
Income tax expense	10	(13,562)	(6,312)
Profit for the year		**9,715**	**20,368**

There were no recognised gains and losses for 2019 (2018 - £Nil) other than those included in the statement of comprehensive income.

The notes on pages 20 to 57 form an integral part of these financial statements.

Equinix (UK) Limited

(Registration number: 03672650)

Balance Sheet
as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Goodwill	11	3,237	3,237
Intangible assets	12	8,915	18,549
Property, plant and equipment	13	901,588	669,963
Investments	14	54,329	54,329
		968,069	746,078
Current assets			
Debtors: amounts falling due after more than one year	15	12,404	28,831
Trade and other receivables	15	119,495	100,219
Cash at bank and in hand	16	24,447	23,304
		156,346	152,354
Creditors: Amounts falling due within one year	17	(129,784)	(114,098)
Net current assets		26,562	38,256
Total assets less current liabilities		994,632	784,334
Creditors: Amounts falling due after more than one year	18	(707,724)	(523,610)
		286,907	260,724
Provisions for liabilities			
Deferred tax liabilities	19	(30,861)	(12,881)
Asset retirement obligations	20	(6,048)	(5,882)
		(36,909)	(18,763)
Net assets		249,998	241,961
Capital and reserves			
Called up share capital	22	20	20
Share premium account	23	70,551	70,551
Retained earnings	23	179,428	171,390
Total equity		249,998	241,961

The notes on pages 20 to 57 form an integral part of these financial statements.

Equinix (UK) Limited

(Registration number: 03672650)

Balance Sheet
as at 31 December 2019

The financial statements on pages 16 to 57 were approved by the Board of Directors on 18 December 2020 and signed on its behalf by:

Eugene Bergen
Eugene Bergen (Dec 18, 2020 17:57 GMT+1)

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Eugenius Bergen Henegouwen

Director

Date: 18 December 2020

The notes on pages 20 to 57 form an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2019

	Note	Called up share capital £ 000	Share premium account £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018		20	70,551	150,771	221,342
Changes in accounting policies [1]	31	-	-	251	251
Adjusted balance as at 1 January 2018		20	70,551	151,022	221,593
Profit for the financial year and total comprehensive income		-	-	20,368	20,368
At 1 January 2019		**20**	**70,551**	**171,390**	**241,961**
Changes in accounting policies [2]		-	-	(1,678)	(1,678)
Adjusted balance as at 1 January 2019		20	70,551	169,712	240,283
Profit for the financial year and total comprehensive income		-	-	9,715	9,715
At 31 December 2019		**20**	**70,551**	**179,428**	**249,998**

[1] The Company adopted IFRS 15 'Revenue from Customers' from 1 January 2018.

[2] The Company adopted IFRIC 23 'Uncertainty over Income Tax Treatments' from 1 January 2019.

The notes on pages 20 to 57 form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2019

1 General information

Equinix (UK) Limited (the "Company") is a private company limited by share capital incorporated and domiciled in the United Kingdom with a registered address at Masters House, 107 Hammersmith Road, London. These financial statements are presented in "Pounds Sterling" (£) because that is the currency of the primary economic environment in which the Company operates.

2 Summary of significant accounting policies

2.1 Changes in accounting policy

The Company has adopted the new accounting pronouncements which have become effective this year, and are as follows:

IFRS 16 Leases

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the Company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

The Company's accounting policy on leases after the adoption of IFRS 16 is as disclosed in Note 2.19.

On 1 January 2019, the Company has applied the following transition provisions for leases previously classified as operating leases, with the exception for short-term leases and leases of low-value assets:

• On a lease-by-lease basis, the Company measured its right-of-use (ROU) assets at amount equal to lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet on the date of initial application (i.e. 1 January 2019).

• Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019, using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristics. The weighted average incremental borrowing rate applied to its lease liabilities on 1 January 2019 was 5.14%.

For leases previously classified as finance leases under IAS 17, the Company recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application (i.e. 1 January 2019). The measurement principles of IFRS 16 are only applied after that date.

2 Summary of significant accounting policies (continued)

2.1 Changes in accounting policy (continued)

IFRS 16 Leases (continued)

In applying IFRS 16 for the first time, the Company did not elect any practical expedients.

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

The effects of adoption of IFRS 16 on the Company's finance statements as at 1 January 2019 are as follows:

	Increase/(decrease)
	£ 000
Property, plant and equipment	170,804
Lease liabilities	175,890
Prepayments	(4,176)
Deferred rent liabilities	(9,262)

• Measurement of lease liabilities

	£ 000
Operating lease commitments disclosed as at 31 December 2018	330,429
Less: Correction required to eliminate finance lease which was double counted in PY	(31,310)
Revised operating lease commitments as at 31 December 2018 (Note 27)	299,119
Less: Effects of discounting using IBR as at date of initial application	(126,768)
Less: Low value assets	(27)
Add: Finance Lease liabilities recognised as at 31 December 2018	38,749
Others	3,567
Lease liabilities recognised as at 1 January 2019	**214,640**

	£ 000
Lease liabilities recognised as at 1 January 2019:	
Current lease liabilities	10,565
Non-current lease liabilities	204,075
Total	**214,640**

2 Summary of significant accounting policies (continued)

2.1 Changes in accounting policy (continued)

IFRIC 23 Uncertainty Over Income Tax Treatments

IFRIC 23 'Uncertainty Over Income Tax Treatments' is effective for accounting periods beginning on or after 1 January 2019 and provides further clarification on how to apply the recognition and measurement requirements in IAS 12 'Income Taxes'. It is applicable where there is uncertainty over income tax treatments. The EU endorsed IFRIC 23 on 24 October 2018.

The adoption of IFRIC 23 has principally resulted in an adjustment in the value of tax liabilities as IFRIC 23 requires the Company to measure the effect of uncertainty on income tax positions using either the most likely amount or the expected value amount, depending on which method is expected to better reflect the resolution of the uncertainty.

The Company has retrospectively applied IFRIC 23 from 1 January 2019, recognising the cumulative effect of initially applying the interpretation as increases to income tax payable of £1,678 thousands and a corresponding adjustment to the opening balance of retained earnings of £1,678 thousands. There is no restatement of the comparative information as permitted in the interpretation.

2.2 Basis of preparation of financial statements

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"). The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The financial statements have been prepared on the historical cost basis.

Consolidation

The financial statements contain information about the Company as an individual company and do not contain consolidated financial statements of any group of companies. The Company has taken advantage of the exemptions available under section 401 of the Companies Act from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent, Equinix, Inc., a company incorporated in the United States of America.

2 Summary of significant accounting policies (continued)

2.3 Financial reporting standard 101 - reduced disclosure exemptions

Equinix (UK) Limited meets the definition of a qualifying entity under FRS 101.

The Company has taken advantage of the following disclosure exemptions under FRS 101:
• the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
• the requirements of IFRS 7 Financial Instruments: Disclosures
• the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
• the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
- paragraph 73(e) of IAS 16 Property, Plant and Equipment;
• the requirements of IAS 7 Statement of Cash Flows
• the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
• the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures related to key management personnel remuneration
• the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

Where required equivalent disclosures are given in the group financial statements of Equinix, Inc. The group financial statements of Equinix, Inc. are available to the public and can be obtained at One Lagoon Drive, Redwood City, CA 94065, USA.

2.4 New standards, amendments and interpretations

The Company has elected to adopt IFRS 16 Leases using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised as one-time adjustment to the opening balance sheet accounts on 1 January 2019 and has not restated the comparatives for 2018 reporting period.

The Company has retrospectively applied IFRIC 23 'Uncertainty Over Income Tax Treatments' from 1 January 2019. The adoption of IFRIC 23 has principally resulted in an adjustment in the value of tax liabilities and a corresponding adjustment to the opening balance of retained earnings. There is no restatement of the comparative information as permitted in the interpretation.

2 Summary of significant accounting policies (continued)

2.5 Going concern

On 31 December 2019, the Company is in a net current assets position of £26,562 thousands (2018 - £38,256) and net assets position of £249,998 thousands (2018 - £241,961 thousands).

The Company meets its day-to-day working capital requirements through its cash reserves and borrowings.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current cash reserves and borrowings. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

2.6 Foreign currency transactions and balances

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the income statement within 'Administrative expenses'.

2.7 Revenue recognition

Under the revenue accounting guidance, revenues are recognised when control of these products and services is transferred to its customers, in an amount that reflects the consideration it expects to be entitled to in exchange for the products and services.

The Company designs and operates network neutral datacentres in the United Kingdom. The Company's principal business is to provide network-neutral datacentre and interconnection services, offering premium collocation, traffic exchange and managed IT infrastructure solutions.

Equinix UK Limited derives most of its revenues from recurring revenue streams, consisting primarily of colocation, interconnection offerings, managed infrastructure solutions and other revenues consisting of rental income from tenants or subtenants. The remainder of the Company's revenues are from non-recurring revenue streams, such as installation revenues, professional services, contract settlements and equipment sales.

2 Summary of significant accounting policies (continued)

2.7 Revenue recognition (continued)

The Company acts as a sales agent for Equinix (EMEA) B.V. It is also remunerated for other services it supplies including the operation of datacentre facilities.

Revenue is measured at the fair value of the consideration received and represents amounts received for services provided, stated net of discounts, returns and value added taxes.

Recognition of revenue happens when performance obligations have been satisfied thus when the services provided have been transferred to the customer.

On 1 January 2018, the Company adopted IFRS 15 - Revenue from Contracts with Customers using the modified retrospective method applied to those contracts which were not completed as of 1 January 2018. The impacts are primarily related to the costs to obtain customer contracts and recognition of installation revenue, which are recognised over the contract period, rather than over the estimated installation life as under the prior revenue standard.

Non-recurring installation fees, although generally paid upfront upon installation, are deferred and recognised ratably over the contract term. Professional service fees and equipment sales are recognised in the period when the services were provided. The transaction price is allocated to the separate performance obligation on a relative standalone selling price basis. The standalone selling price is determined based on overall pricing objectives, taking into consideration market conditions, geographic locations and other factors. Other judgments include determining if any variable consideration should be included in the total contract value of the arrangement such as price increases.

The timing of revenue recognition, billings and cash collections result in accounts receivables, contract assets and deferred revenues. A receivable is recorded at the invoice amount, net of an allowance for doubtful account and is recognised in the period when the Company has transferred products or provided services to its customers and when its right to consideration is unconditional. Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 45 days. In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined that the Company's contracts generally do not include a significant financing component. The Company assesses collectability based on a number of factors, including past transaction history with the customer and the credit worthiness of the customer.

A contract asset exists when the Company has transferred products or provided services to its customers, but customer payment is contingent upon satisfaction of additional performance obligations. Certain contracts include terms related to price arrangements such as price increases and free months. The Company recognises revenues ratably over the contract term, which could potentially give rise to contract assets during certain periods of the contract term. Contract assets are recorded in other current assets and other assets in the consolidated balance sheet.

Deferred revenue (a contract liability) is recognised when the Company has an unconditional right to a payment before it transfers products or services to customers. Deferred revenue is included in other current liabilities and other liabilities, respectively, in the consolidated balance sheet.

2 Summary of significant accounting policies (continued)

2.7 Revenue recognition (continued)

Direct and indirect incremental costs solely related to obtaining revenue contracts are capitalised as costs of obtaining a contract, when they are incremental and if they are expected to be recovered. Such costs consist primarily of commission fees and sales bonuses, as well as indirect related payroll costs. Contract costs are amortised over the estimated period of benefit on a straight-line basis. The Company elected to apply the practical expedient which allows the Company to expense contract costs when incurred, if the amortisation period is one year or less.

2.8 Accrued and deferred income

Income is accrued where the provision of services has occurred and invoices have not been generated for that period. Accrued income for contracts commencing during a month is calculated on a daily basis. Income is deferred for the provision of future services which the customer has been billed for but not yet received. Deferred income is then released and recognised in the profit and loss account for the month in which the service is provided.

2.9 Pension costs

The Company operates a defined contribution pension scheme. The assets of this scheme are held separately to those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company in the year.

2.10 Share based payments

Where share options in the shares of the ultimate parent company (Note 30) are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period. As all share options are fully vested, there is no further charge in the current year.

2 Summary of significant accounting policies (continued)

2.10 Share based payments (continued)

Restricted stock unit plan

The Company's ultimate parent (Note 30) issues Restricted Stock Units (RSUs) to certain employees of the Company. RSUs are equity-settled share based payments, measured at fair value at the date of grant. For RSUs with only a service condition or a service and performance condition, fair value is measured using the Equinix, Inc. stock price on the date of grant. For RSUs with a service and market condition, fair value is measured using a Monte Carlo simulation option-pricing model. The fair value determined at the grant date of the equity-settled share based payments is expensed in the financial statements of the Company on a straight-line basis over the vesting period, based on the ultimate parent's estimate of the number of shares that will eventually vest. The charge recognised in the income statement and statement of comprehensive income reflects the charge from the ultimate parent calculated on this basis.

Employee share purchase plan

The Company's ultimate parent (Note 30) operates an Employee Share Purchase Plan (ESPP) in which all employees of the Company are eligible to participate. These are equity-settled share based payments made at employee election in lieu of a portion of cash compensation. The scheme permits the twice annual purchase of discounted shares in the ultimate parent, based on contributions made by employees via payroll deduction.

The Company is recharged by the ultimate parent undertaking for the undiscounted fair value of shares purchased at date of vesting. The cost to the Company of the discounted share purchase under the ESPP scheme is expensed in the financial statements of the Company on a straight line basis over the vesting period, based on the ultimate parent's estimate of the number of shares that will eventually vest.

2.11 Financial assets and liabilities

The Company's financial assets and liabilities are measured at amortised cost. The financial assets at amortised cost of the entity are trade and other receivables. Financial assets at amortised cost are initially recognised at fair value plus transaction costs less provision for expected credit losses. They are subsequently measured at amortised cost. Trade receivables are arising from goods and services in the ordinary course of business. Trade receivables are classified as current assets if payment is due within one year or less. If not, they are presented as non-current assets.

i) Financial assets

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

• the asset is held within a business model whose objective is to collect the contractual cash flows, and
• the contractual terms give rise to cash flows that are solely payments of principal and interest.

Notes to the Financial Statements
for the year ended 31 December 2019

2 Summary of significant accounting policies (continued)

2.11 Financial assets and liabilities (continued)

Impairment for financial assets

The Company makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, management considers factors including the ageing profile of receivables and historical experience.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. For the year 2019, a provision for trade debtors have been booked under the Company's policies and no additional provision was considered material in relation to IFRS 9.

The Company assessed the credit risk on amounts owed by group undertakings as low due to the settlement of balances on a monthly basis and the historical experience of low level write offs.

ii) Financial liabilities

The financial liabilities of the entity are trade and other creditors, loans and amounts owed to group undertakings. Trade and other creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from external suppliers or group companies. 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.

Financial liabilities subsequently measured at amortised cost

Financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective Interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

2.12 Finance costs

Finance costs are charged to the income statement and statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Interest income

Interest income is recognised in the income statement and statement of comprehensive income using the effective interest method.

2 Summary of significant accounting policies (continued)

2.14 Current and deferred taxation

(a) Current tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. 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.

(b) Deferred taxation

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However,deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise 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 tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

2 Summary of significant accounting policies (continued)

2.15 Intangible assets

Intangible assets represent power rights which comprise initial payments to electricity suppliers which provide the right to receive electrical power to a site.

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Power rights are amortised on a straight line basis over the term of the site lease. The lease term is defined by the initial period of the lease and excludes any options to extend. The average lease term is 20 years.

Customer contracts and relationships acquired are initially recognised at fair value.

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

2.16 Property, plant and equipment

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Land and buildings	The earlier of the end of economical useful life or the end of the lease term
Leasehold improvements	Up to the remaining period of the lease
Core systems	3-20 years
Fixtures, fittings and equipment	3-10 years

Assets in the course of construction are not depreciated. Once assets are brought into use, such assets are transferred into the appropriate asset class and depreciated over its expected useful economic life.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement and statement of comprehensive income.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

2 Summary of significant accounting policies (continued)

2.17 Capitalisation of finance costs and interest

Interest incurred on borrowings undertaken to finance assets in the course of construction is capitalised as part of the cost of the asset. Interest is capitalised on the average balance of assets in the course of construction on a monthly basis during the period prior to the asset being placed in service.

2.18 Asset retirement obligations

In accordance with the terms of a lease, the Company may be obligated to remove its specialised machinery and/or buildings from the leased premises at the end of the lease, or to compensate the lessor accordingly, such that the leased space is returned to its original condition. This obligation is evaluated when the Company enters into a lease agreement and key assumptions are reviewed annually. A corresponding asset is also created and depreciated over the period of the lease. To account for the long term nature a discount rate, based upon the incremental borrowing rate at the time the lease is executed, is applied.

2.19 Leases

As explained in note 2.1 above, the Company has changed its accounting policy for leases where the Company is the lessee. The new policy is described below and the impact of the change in note 2.1.

(a) The accounting policy for leases before 1 January 2019 was as follows:

The Company enters into lease arrangements primarily for data center spaces, office spaces and equipment.

Finance leases

Leases where the Company assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charge) under finance leases are recognised on the balance sheet as buildings and lease liabilities respectively; at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in the profit or loss on a constant periodic rate of interest on the finance lease liability.

2 Summary of significant accounting policies (continued)

2.19 Leases (continued)

Operating leases

Leases where the Company does not assume significant portion of risks and rewards incidental to the ownership of the leased assets are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessors) are recognised in the profit or loss on a straight-line basis over the period of the lease. Contingent rents are recognised as an expense in the profit or loss when incurred.

(b) The accounting policy for leases after 1 January 2019 is as follows:

At the inception of the contract, the Company assesses if the contract contains a lease. A contract 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. Reassessment is only required when the terms and conditions of the contract have changed.

Right-of-use assets

The Company recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

This right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of economical useful life of the right-of-use, or the end of the lease term.

Right-of-use assets are presented within "Property, plant and equipment".

Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If the rate cannot be readily determined, the Company shall use its incremental borrowing rate.

2 Summary of significant accounting policies (continued)

2.19 Leases (continued)

Lease payments include the following:

• Fixed payment (including in-substance fixed payment), less any lease incentives receivables;
• Variable lease payment that are based on index or rate, initially measured using the index or a rate (such as the Consumer Price Index, "CPI", or market interest rate) as at the commencement date;
• Amount expected to be payable under residual value guarantees
• The exercise price of a purchase option if it is reasonably certain to exercise the option; and
• Payment of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

For contract that contains both lease and non-lease components, the Company allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Company has elected to not separate the lease and non-lease component for property leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

• There is a change in future lease payments arising from changes in an index or a rate (such as the Consumer Price Index, "CPI", or market interest rate);
• There is a change in the Company's assessment of whether it will exercise an extension option; or
• There is modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term and low value asset leases

The Company has elected to not recognise the right-of -use assets and lease liabilities for short-term leases that have lease terms of 12 months or less; and leases of low value assets. Lease payments relating to these leases are expensed to profit or loss on a cash basis over the lease term.

Variable lease payments

Variable lease payments that are not based on an index or a rate (such as the Consumer Price Index, "CPI", or a market interest rate) are not included as part of the measurement and initial recognition of the lease liability. The Company shall recognise those lease payments in profit or loss in the period in which the obligation for those payments is incurred.

2 Summary of significant accounting policies (continued)

2.19 Leases (continued)

Discount rate

Since most of the Company's leases do not provide an implicit rate, the Company uses its own incremental borrowing rate ("IBR") on a collateralised basis in determining the present value of lease payments. The Company utilises a market-based approach to estimate the IBR. The approach requires significant judgment.

Therefore, the Company utilises different data sets to estimate IBRs via an analysis of (i) yields on comparable credit rating composite curves; (ii) sovereign rates; (iii) yields on our outstanding public debt; and (iv) historical difference in yields on the curves of our secured and unsecured rated debt. The Company also applies adjustments to account for considerations related to (i) tenor; and (ii) country credit rating that may not be fully incorporated by the aforementioned data sets. The Company used incremental borrowing rates specific to each lease and the rates range between 2.07% and 10.56%, translating to an average of 4.95%.

2.20 Goodwill

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

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

2.21 Investments in subsidiaries

Investments acquired with the intention that they will be held for the long term are stated at cost less any provision for impairment. The carrying amounts of the Company's investments is reviewed at each balance sheet date to determine whether there is any Indication of impairment. If such an indication of impairment exists, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement and statement of comprehensive income. The recoverable amount of the Company's assets is greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the lime value of money and the risk specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

2 Summary of significant accounting policies (continued)

2.22 Trade and other receivables

Trade and other receivables are measured at fair value, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and contract assets.

To measure the expected credit losses, trade and other receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

2.23 Cash at hand and in bank

Cash at bank and in hand includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.24 Creditors

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

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

2.25 Provisions

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the income statement and statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

2 Summary of significant accounting policies (continued)

2.26 IFRS 3 - Application of predecessor accounting

For business combinations involving transactions with companies under common control, the Company has chosen to apply predecessor values method of accounting. Under this method, assets and liabilities acquired are recognised at their carrying value and the difference goes to equity.

2.27 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously Impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

3 Critical accounting judgements and key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

(b) Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

(c) Asset retirement obligations

The Company makes an estimate of costs to return leased space to its original condition at the end of the lease term. The obligation is evaluated when the Company enters into a lease agreement and key assumptions are reviewed annually.

(d) Extension options for leases

When the entity has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term. Amount of potential lease payments have not been included in the lease liabilities as it is not reasonably certain the extension option will be exercised.

(e) Incremental borrowing rate

Management uses a market-based approach to estimate the IBR applied to its lease liabilities. This requires significant judgement. Refer to note 2.19, Discount rates for further information.

(f) IFRIC 23 Uncertainty over income tax treatments ("IFRIC 23")

IFRIC 23 clarifies the recognition and measurement for income tax when it is unclear whether a taxation authority will accept the tax treatment claimed. An uncertain tax position arises where there is more than one possible interpretation of how tax regulations apply to a given transaction or event. The interpretation requires the Company to determine whether uncertain tax treatments are assessed separately or as a group. The interpretation also requires an assumption that a taxation authority has full knowledge of all relevant information. Where it is not probable that a taxation authority will accept an uncertain tax treatment, it requires the Company to reflect the effect of the uncertainty in the accounting tax position. Finally, reassessment should be performed on a yearly basis in the event of changes in facts and circumstances.

Based on the assessment performed, this interpretation had a material impact on the Company's uncertain income tax accounting positions recognised and this impact is disclosed in note 15.

Notes to the Financial Statements
for the year ended 31 December 2019

4 Revenue

Revenue arises solely in the United Kingdom attributable to third party customer sales.

	2019 £ 000	2018 £ 000
Rendering of services	373,354	331,219
Sale of goods	6	143
	373,360	331,362

The Company has recognised the following assets and liabilities related to contracts with customers:

	2019 £000	2018 £000
Current contract assets related to contracts from customers	3,542	3,626
Non-current contract assets related to contracts from customers	8,213	6,228
Current contract liabilities	6,848	4,860
Non-current contract liabilities	3,321	3,949

Revenue recognised in relation to contract liabilities:

	2019 £000	2018 £000
Revenue recognised that was included in the contract liability balance at the beginning of the period: Installation contracts	4,860	4,392

Assets recognised from costs to fulfil a long term contract:

	2019 £000	2018 £000
Asset recognised from costs incurred to fulfil a contract at 31 December	10,694	8,792
Amortisation and impairment loss recognised as cost of providing services during the period	(3,458)	(3,267)

Notes to the Financial Statements
for the year ended 31 December 2019

5 Operating profit

The operating profit is stated after charging:

	2019 £ 000	2018 £ 000
Depreciation of property, plant and equipment	56,400	46,962
Amortisation of intangible assets	1,031	1,591
Foreign exchange loss	27	2,262
Operating lease expense	-	18,699
Auditor's remuneration	126	129

All amounts are recognised in administrative expenses in the income statement and statement of comprehensive income.

There were no other services provided by the Company's auditors.

6 Interest receivable and similar income

	2019 £ 000	2018 £ 000
Interest income on bank deposits	96	66

7 Interest payable and expenses

	2019 £ 000	2018 £ 000
Intercompany interest payable	16,729	13,796
Interest payable on finance leases	13,880	3,942
Other finance costs	274	1,790
Finance charges on asset retirement obligations	416	394
Interest capitalised on construction in progress	(2,920)	(3,368)
	28,379	16,554

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	Note	2019 £ 000	2018 £ 000
Wages and salaries		23,600	21,848
Social security costs		3,201	3,478
Share-based payment expenses	24	2,953	2,269
Other pension costs	26	1,062	1,018
		30,816	28,613

The average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	2019 No.	2018 No.
Administration	42	57
Sales and marketing	58	51
Site management	219	191
	319	299

9 Directors' remuneration

In respect of the highest paid director:

	2019 £ 000	2018 £ 000
Directors' emoluments	375	382
Company contributions to defined contribution pension schemes	22	21
Share based gains	654	800
	1,051	1,203

The highest paid director received remuneration of £1,029 thousands (2018 - £1,182 thousands) and pension contributions of £22 thousands (2018 - £21 thousands).

One of the directors of the Company was remunerated by the Company (2018 - one), and the other director was remunerated by Equinix (EMEA) B.V. and was not apportioned to the Company. There were no directors in the year, participating in and accruing benefits under the Company's defined contribution scheme during the year (2018 - £nil). The number of directors that exercised share options in the year was one (2018 - one).

Notes to the Financial Statements
for the year ended 31 December 2019

10 Income tax

Tax charged/(credited) in the income statement and statement of comprehensive income

	2019 £ 000	2018 £ 000
Current taxation		
Current tax on profits for the year	(1,722)	7,154
Adjustments in respect of previous periods	(2,696)	(199)
Total current tax	(4,418)	6,955
Deferred taxation		
Adjustments in respect of previous periods	8,493	(175)
Origination and reversal of timing differences - current year	11,569	(468)
Arising from transfer of deferred tax to Joint Venture	(2,082)	-
Total deferred taxation	17,980	(643)
Tax on profit	13,562	6,312

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018- higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £ 000	2018 £ 000
Profit before tax	23,277	26,680
Corporation tax at standard rate	4,423	5,069
Effects of:		
Expenses not deductible for tax purposes	1,970	1,805
Adjustments in respect of previous periods	5,797	(374)
Share option related differences	(132)	(119)
Rate change	(1,195)	(69)
Elimination of losses relating to former LD10 trade	2,699	-
Total tax charge	13,562	6,312

10 Income tax (continued)

Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the period by £1,361 thousands and to increase the deferred tax liability by £1,361 thousands.

11 Goodwill

	Total £ 000
Cost	
At 1 January 2019	3,237
At 31 December 2019	3,237
Net book value	
At 31 December 2019	3,237
At 31 December 2018	3,237

Notes to the Financial Statements
for the year ended 31 December 2019

12 Intangible assets

	Power rights £ 000	Contractual customer relationships £ 000	Total £ 000
Cost or valuation			
At 1 January 2019	22,533	4,885	27,418
Reclassification	(11,391)	-	(11,391)
At 31 December 2019	11,142	4,885	16,027
Amortisation			
At 1 January 2019	8,039	830	8,869
Amortisation charge	542	489	1,031
Reclassification	(2,788)	-	(2,788)
At 31 December 2019	5,793	1,319	7,112
Carrying amount			
At 31 December 2019	5,349	3,566	8,915
At 31 December 2018	14,494	4,055	18,549

Power rights represents amounts paid for the rights to receive electrical power for the Company's datacentres.

There has been a reclassification in amount of £8,603 thousands net book value assets from power rights (intangible assets) to core system (property, plant and equipment) to correct the prior error of classification. The assets affected have equal useful lives and the reclassification does not result in a change in the depreciation.

13 Property, plant and equipment

	Assets in *course of* construction £ 000	*Land and* buildings £ 000	*Leasehold* improvements £ 000	*Core* systems £ 000	Fixtures, *fittings and* equipment £ 000	Total £ 000
Cost or valuation						
At 1 January 2019	162,955	78,704	328,788	262,999	5,255	838,701
Impact of adoption of IFRS 16	-	170,732	-	-	-	170,732
Additions	25,177	104,034	80,896	28,407	1,405	239,919
Intragroup transfers	-	-	300	197	255	752
Disposals	(54,297)	(14,910)	(26,485)	(51,104)	(557)	(147,353)
Capitalisation	(132,881)	-	23,840	108,864	177	-
Reclassification	-	-	(66,410)	75,868	1,933	11,391
At 31 December 2019	954	338,560	340,929	425,231	8,468	1,114,142
Depreciation						
At 1 January 2019	-	11,379	78,940	74,772	3,647	168,738
Charge for the year	-	12,085	14,723	28,429	1,163	56,400
Disposals	-	(2,666)	(4,394)	(8,104)	(334)	(15,498)
Reclassification	-	-	(26,308)	28,939	157	2,788
Intragroup transfers	-	-	5	1	120	126
At 31 December 2019	-	20,798	62,966	124,037	4,753	212,554
Carrying amount						
At 31 December 2019	954	317,762	277,963	301,194	3,715	901,588
At 31 December 2018	162,955	67,325	249,848	188,227	1,608	669,963

There has been a reclassification in amount of £8,603 thousands net book value assets from power rights (intangible assets) to core system (property, plant and equipment) to correct the prior error of classification. The assets affected have equal useful lives and the reclassification does not result in a change in the depreciation.

In October 2019, the Company sold the assets and the liabilities related to two data centres (LD10 and LD13). More information regarding this transaction is set out in the Strategic Report, in the Business review section on page 2.

Land and building include assets held under leases which have a net book value of £300,446 thousands (2018 - £52,200 thousands) and related depreciation charge on these assets is £13,256 thousands (2018 - £1,500 thousands).

Notes to the Financial Statements
for the year ended 31 December 2019

13 Property, plant and equipment (continued)

ROU assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such assets are:

	2019
	£000
Owned assets	601,142
Right-of-use assets (Note 21)	300,446
Total	901,588

14 Investments

	Investments in subsidiary companies £ 000
Cost or valuation	
At 1 January 2019	54,329
At 31 December 2019	54,329
Carrying amount	
At 31 December 2019	54,329
At 31 December 2018	54,329

Details of the subsidiaries as at 31 December 2019 are as follows:

Name of subsidiary	Principal activity	Registered office	Class of shares	Proportion of ownership interest and voting rights held 2019	2018
Equinix (UK) Enterprise Limited	Provision of neutral data centre and hosting services	Master House, 107 Hammer-smith Road, London, W14 OQH	Ordinary	100%	100%

15 Trade and other receivables

Amounts falling due after more than one year	2019 £ 000	2018 £ 000
Contract assets	8,213	6,228
Amounts owed by group undertakings	2,984	3,169
Other debtors	793	1,192
Prepayments	414	18,242
	12,404	28,831

Amounts falling due within one year	2019 £ 000	2018 £ 000
Trade debtors	73,449	50,139
Contract assets	3,542	3,626
Amounts owed by group undertakings	36,956	34,500
Other debtors	352	230
Prepayments and accrued income	2,016	8,664
Value added tax receivable	-	3,060
Corporation tax	3,180	-
Total current trade and other receivables	119,495	100,219

Equinix assessed the credit risk on the external debtors by analysing the bad debt reserves and write offs over a period of five years. The write offs on average are less than a quarter of 1%.

Trade debtors are stated after provisions for impairment and provision for customer queries of £6,919 thousands (2018 - £3,065 thousands).

For the year 2019, a provision for trade debtors have been booked under the Company's policies and no additional provision was considered material in relation to IFRS 9.

The Company assessed the credit risk on amounts owed by group undertakings as low due to the settlement of balances on a monthly basis and the historical experience of low level write offs.

Credit risks are concluded to be limited. There is no increased credit risk to the point where that it is considered credit impaired.

15 Trade and other receivables (continued)

Corporation Tax

Equinix considers whether it is probable that a tax authority will accept an uncertain tax treatment. If it is concluded that it is not probable that the tax authority will accept an uncertain tax treatment, where tax exposures can be quantified, an accrual is based on either the most likely amount method or the expected value method depending on which method management expects to better predict the resolution of the uncertainty.

Accruals can be built up over a long period, but the ultimate resolution of tax exposures usually occurs at a point in time. Given the inherent uncertainties in assessing the outcomes of these exposures, we could, in future periods, experience adjustments to these accruals that have a material positive or negative effect on our results in any particular period. In calculating the UTP accrual, any amounts expected to be settled by Equinix (EMEA) B.V. are excluded from the accrual and recorded in the accounts of Equinix (EMEA) B.V.

It is, however, possible that some of these contingencies may reduce in the future if any tax authority challenge is concluded or matters lapse following expiry of the relevant statutes of limitation, resulting in a reduction in the tax charge in future periods.

The corporation tax balance above includes amounts relating to uncertain tax positions.

The Company entered into an indemnity agreement with Equinix (EMEA) B.V. on 30 December 2016. As a result of this indemnity the Company will be reimbursed for the full liability that might result from the uncertain tax position. The reimbursement received under the indemnity will be recognised as a capital contribution when received by the Company.

16 Cash at hand and in bank

	2019 £ 000	2018 £ 000
Cash at bank	9,414	23,304
Other cash and cash equivalents	15,033	-
	24,447	23,304

17 Creditors: Amounts falling due within one year

	2019 £ 000	2018 £ 000
Contract liabilities	6,848	4,860
Trade creditors	4,581	19,678
Amounts owed to group undertaking	66,652	46,316
Interest payable on loans from group undertakings	296	397
Taxation and social security	2,004	2,149
Corporation tax	-	6,923
Lease liabilities (Note 21)	14,970	7,546
Value added tax payable	6,587	-
Accruals	27,846	26,229
	129,784	114,098

Amounts owed to group undertakings are unsecured, interest free, have no fixed repayment date and are repayable on demand.

The Company initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Thus, the comparative lease liabilities presented are based on IAS 17 while for the current year are based on IFRS 16.

18 Creditors: Amounts falling due after more than one year

	2019 £ 000	2018 £ 000
Lease liabilities (Note 21)	283,064	47,145
Amounts owed to group undertakings	390,268	467,783
Other creditors	4,515	4,733
Contract liabilities	3,321	3,949
Accruals	26,556	-
	707,724	523,610

Amounts owed to group undertakings include loans of £318,380 thousands on which interest is due at a rate of LIBOR 12 months plus 3.0% and £71,888 thousands on which interest is due at a rate of LIBOR 12 months plus 1.2%.

The Company initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Thus, the comparative lease liabilities presented are based on IAS 17 while for the current year are based on IFRS 16.

Notes to the Financial Statements
for the year ended 31 December 2019

19 Deferred tax liabilities

Deferred tax assets and liabilities

	2019	2018
	£000	£000
At beginning of year	12,881	13,524
Deferred tax - realised in current year	11,569	(468)
Disposed as a part of Hyperscale transaction	(2,082)	-
Deferred tax - adjustments in respect of previous periods	8,493	(175)
At 31 December	30,861	12,881

Deferred tax movement during the year:

	At 1 January 2019	Charged in income statement in 2019	At 31 December 2019
	£ 000	£ 000	£ 000
Unclaimed capital allowances	15,772	15,407	31,179
Leases	74	(1)	73
Share-based payment	(282)	(109)	(391)
Transition adjustments arising from first time adoption	(320)	320	-
Impairment losses	(2,363)	2,363	-
Net tax assets	12,881	17,980	30,861

Deferred tax movement during the prior year:

	At 1 January 2018	Credited in income statement in 2018	At 31 December 2018
	£ 000	£ 000	£ 000
Unclaimed capital allowances	16,255	(483)	15,772
Leases	76	(2)	74
Share-based payment	(170)	(112)	(282)
Transition adjustments arising from first time adoption	(40)	(280)	(320)
Impairment losses	(2,597)	234	(2,363)
Net tax assets	13,524	(643)	12,881

20 Asset retirement obligations

	Asset retirement obligations £ 000
At 1 January 2019	5,882
Additions	831
Disposals	(1,081)
Accretion expenses	416
At 31 December 2019	6,048
Non-current liabilities	6,048

Asset retirement obligations

In accordance with the terms of leases on datacentre sites, the Company may be obliged to remove its specialised equipment from the leased premises at the end of the lease, or to compensate the lessor accordingly, such that the leased space is returned to its original condition. The provision is expected to be fully utilised at lease termination dates.

21 Leases

The carrying amount of right-of-use assets classified within property, plant and equipment (Note 13) as at 31 December 2019 is as follows:

	Land and buildings £ 000
At 31 December 2018	52,226
Impact of adoption of IFRS 16	170,732
At 1 January 2019	222,958
Additions	103,824
Disposals	(13,080)
Depreciation	(13,256)
At 31 December 2019	300,446

21 Leases (continued)

The balance sheet shows the following amounts relating to lease liabilities:

	Note	31 December 2019 £000	1 January 2019 £000
Lease liabilities			
Current	17	14,970	10,565
Non-current	18	283,064	204,075
Total		298,034	214,640

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December were as follows:

	2019 £000
Lease liabilities	
Not later than one year	22,729
Between one year and five years	93,250
Over five years	609,665
Total	725,644

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2019 £000
Depreciation charge of right-of-use assets - Buildings	13,256
Interest expense	13,062
Expenses relating to leases of low-value assets	825

The total cash outflow for leases in 2019 were £20,760 thousands.

Notes to the Financial Statements
for the year ended 31 December 2019

22 Called up share capital

Authorised

	2019		2018	
	No. 000	**£000**	**No. 000**	**£000**
40,000 (2018- 40,000) Ordinary shares of £1.00 each	40	40	40	40

Allotted, fully paid and called up shares

	2019		2018	
	No. 000	**£000**	**No. 000**	**£000**
20,002 (2018 - 20,002) Ordinary shares of £1.00 each	20	20	20	20

23 Reserves

Share premium account

Share premium represents premium paid in relation to the issued and paid up share capital.

Retained Earnings

The account represents cumulative profits or losses, net of dividends paid and other adjustments.

24 Share-based payments

Equinix, Inc. Incentive Plan

The Equinix Incentive Plan was introduced by Equinix, Inc. in the year 2000 and modified in 2001. These plans allow a committee of the Board of Equinix, Inc. to award Share options, Share Appreciation Rights and Restricted Stock Units (RSUs). No Share appreciation rights are awarded to employees of the Company.

Employees of the Company are also eligible to participate in Equinix, Inc.'s 2004 Employee Share Purchase Plan (ESPP), which allows them to purchase shares in Equinix, Inc. at a discounted price.

24 Share-based payments (continued)

The share compensation charge set out in Note 8 is analysed as follows:

	2019	2018
Charge to statement of profit or loss and other comprehensive income	**£000**	**£000**
Restricted stock units	2,471	1,850
Employee share purchase plan	482	419
	2,953	2,269

Share options in Equinix, Inc.

Options were granted with a fixed exercise price equal to no less than 85% of the fair market value of a common share on the date of the grant. The contractual life of an option is a maximum of 10 years.

No share options have been granted to Company employees since 2007 and no employees have share options at the end of 2014, all options under the scheme expired on 1 October 2014.

Where share options in the shares of the parent company are awarded to employees, the fair value of the options at the date of grant is charged to the income statement and statement of comprehensive income over the vesting period. There is no expense in the 2019 (2018 - £nil) as all options vested in prior years.

Restricted Stock Units (RSUs) in Equinix, Inc.

Restricted stock units are granted to key employees and these equity awards generally have only a service condition. Restricted stock units are also granted to executives and these awards generally have a service and performance condition or a service and market condition. To date, any performance conditions contained in an equity award are tied to the financial performance of Equinix, Inc. or a specific region of Equinix, Inc. The probability of meeting these performance conditions are assessed on a quarterly basis. The majority of the equity awards vest over four years, although certain equity awards for executives vest over a range of two to four years.

The valuation of restricted stock units with only a service condition or a service and performance condition requires no significant assumptions as the fair value for these types of equity awards is based solely on the fair value of the Equinix, Inc. stock price on the date of grant. A Monte Carlo simulation option-pricing model is used to determine the fair value of restricted stock units with a service and market condition.

24 Share-based payments (continued)

Movements in RSUs during 2019 and 2018 are reconciled as follows:

	2019	2018
	No.	No.
RSUs Outstanding 1 January	15,396	14,578
RSUs Granted	10,821	9,494
RSUs Exercised	(7,983)	(8,056)
RSUs Cancelled	(914)	(1,037)
RSUs Transferred	101	417
RSUs outstanding at 31 December	17,421	15,396

The weighted average contractual life of RSUs outstanding at year end was 31 months (2018 - 29 months).

Employee Share Purchase Plan (ESPP) in Equinix, Inc.

Staff contributions for the purchase of shares through the ESPP are deducted monthly from payroll and used for the purchase of Equinix, Inc. shares at 15% discount fair value (as measured by the lower of the opening and closing share prices for the six-month cycle). The expense of £482 thousands (2018- £419 thousands) represents the 15% discount to the fair value of the shares purchased, which is borne by the Company over the vesting period.

25 Capital commitments

There were capital commitments of £55,830 thousands at 31 December 2019 (2018- £39,279 thousands).

26 Pension and other schemes

Employees of the Company are eligible to participate in a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The pension charge represents contributions payable by the Company to the fund and amounted to £1,062 thousands (2018- £1,018 thousands). Contributions payable at the year-end amounted to £nil (2018- £nil).

27 Operating lease

At 31 December, the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019	2018 as restated	2018
	£000	£000	£000
Lease liabilities			
Not later than one year	-	13,055	13,608
Between one year and five years	-	49,764	52,651
Over five years	-	236,301	264,170
Total	-	299,119	330,429

Prior year included lease commitment related to one datacenter (LD6) that was wrongly included also as operating lease commitments and as capital lease in property, plant and equipment. The Company has presented revised disclosure in order to remove the capital lease.

28 Post balance sheet events

The Company's activities began to be affected by COVID-19 in the first quarter of 2020 as on 29 February 2020, the World Health Organization ("WHO") raised the COVID-19 threat from high to very high, and on 11 March 2020, the WHO characterised COVID-19 as a global pandemic.

The Company's IBX data centres have been identified as "essential businesses" or "critical infrastructure" by local governments for purposes of remaining open during the COVID-19 pandemic. All of our IBX data centres remain operational as at date of approval of the financial statements.

The COVID-19 pandemic has not had a material impact on the Company's financial performance and cashflows until the date of approval of these accounts. The Company has taken a number of health and safety measures to monitor and reduce the effects of the COVID-19 pandemic on our staff, including working from home and social distancing.

The impact that COVID-19 will have on the Company in 2020 and 2021 remains uncertain and ultimately will be dictated by the length and severity of the pandemic, impact on customers and vendors, as well as the economic recovery and local government actions taken in response. The management will continue to evaluate the nature and extent of these potential impacts to its business and financial statements.

28 Post balance sheet events (continued)

On the date of the approval of Company's financial statements, the management of the Company is not aware of any significant uncertainties which call into question the ability of the Company to continue operating. The COVID-19 pandemic is considered to be a non-adjusting subsequent event and thereby is not reflected in the balance sheet or operating results of the Company for the year ended 31 December 2019. There are no other significant events affecting the Company since the year end.

29 Related party transactions

In 2019, Equinix, Inc. entered into a joint venture in the form of a limited liability partnership with GIC Private Limited, Singapore's sovereign wealth fund ("GIC") (the "Joint Venture").

The following two datacenter properties have been identified as the data centers that have been included in Phase 1 of the Hyperscale business for Equinix UK Limited: London 10 ("LD10") and London 13 ("LD13").

In October 2019, the Company sold the assets and the liabilities related to the two data centers for a total amount of £147,873 thousands. Part of this consideration, the amount £29,095 thousands represents the future commitments the company has for future developments on the sites sold. The total amount of the fixed assets disposed in the transaction was £131,292 thousands and there was also a decrease in lease liabilities of £13,991 thousands. Other assets and liabilities elements of the transaction amount to £1,010 thousands receivable. The result of the transaction amounting to £467 thousands gain.

The proceeds have been received indirectly through group companies.

Additionally, the Company entered into a leasing agreement with the joint venture for collocation space at the LD13 site. The lease payment made in 2019 amounted to £1,690 thousands and at the end of the year, there is no amount due to the Joint Venture.

Aside from the above- mentioned, the Company has no other related party transactions that requires disclosure in the financial statements.

30 Immediate and ultimate parent undertakings

The immediate and ultimate parent undertaking is Equinix (EMEA) B.V., a company incorporated in the Netherlands, with registered office at Amstelplein 1, 1096 HA Amsterdam. The ultimate parent undertaking and controlling party is Equinix, Inc. a company incorporated in the United States of America.

Equinix, Inc. is the ultimate parent undertaking of the largest and smallest group in which the results of the Company are consolidated. Financial statements of Equinix, Inc. are available from 1 Lagoon Drive, 4th floor, Redwood City, CA 94065, USA.

31 IFRS 15 Revenue from Contracts with Customers

On 1 January 2018, the Company adopted IFRS 15 using the modified retrospective approach. IFRS15 was applied to those contracts, which were not completed as of 1 January 2018, and recognised a net increase to the opening retained earnings of £251 thousands, net of tax impacts and commissionaire. Results for reporting periods beginning after 1 January 2018 are presented under IFRS 15, while the comparative information has not been restated and continues to be reported under accounting standards in effect for those periods. In adopting the new guidance, the Company elected to apply the practical expedient, which allows the Company not to retrospectively restate contracts with multiple modifications on a modification by modification basis. Instead, the Company reflected the aggregate amount of all modifications that occurred before the beginning of the earliest period presented using the new standard. In addition, where appropriate, the Company elected to apply the practical expedient to account for the new standard under the portfolio approach as the Company reasonably expects that the effects of applying the guidance under the portfolio approach will not differ materially from applying the guidance to individual contracts. This resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements for the Company.

The Company is also required to capitalise and amortise certain costs to obtain contracts, rather than expense them immediately as under the previous standard.