Iron Mountain (UK) plc

Annual report and financial statements for the year ended 31 December 2019

Company No. 01478540

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DIRECTORS AND OTHER INFORMATION

DIRECTORS	P Keddy G Mackie
COMPANY SECRETARY	J Virgo
REGISTERED OFFICE	Ground Floor 4 More, London Riverside London United Kingdom SE1 2AU
REGISTERED NUMBER	01478540
INDEPENDENT AUDITOR	Deloitte LLP Glasgow United Kingdom
BANKERS	HSBC Bank PLC 8 Canada Square London E14 5HQ
SOLICITORS	Shoosmiths 7th Floor 125 Colmore Row Birmingham B3 3SH

The directors, in preparing this strategic report, have complied with section 414C of the Companies Act 2006.

REVIEW OF THE BUSINESS

The principal activity of the Iron Mountain (UK) plc ("the company") is information management and document storage.

The directors consider the performance of the business to be satisfactory.

Turnover for the year of £177.7 million has increased by 1.5% from £175.1 million in 2018, the turnover in the year included approximately £3.4 million from the transfer of the assets and trade of Saracen Datastore Limited, Disaster Recovery Services Limited and Bonded Services Limited. The gross profit margin was 71.4% of turnover (2018: 74.1%) this fall in gross profit margin is largely due to higher depreciation costs along with higher rent and utilities costs. Earnings before Interest, taxation, depreciation and amortization was £51.8 million (2018: £53.7 million) due mainly to the lower gross profit margin. Administrative expenses increased by 1.4% from £99.2 million in 2018 to £100.5 million in 2019 as a result of increased amortisation of goodwill, property costs, and staff costs partly offset by lower intercompany service charges. Profit before tax fell from £47.4 million in 2018 to £39.8 million in 2019, mainly due to impairment in the carrying value of investments in Bonded Services Acquisition Limited of £8.4m and Haworth Group Holdings Limited £2.6m (2018: £2.0 million). The impairment in Bonded Services Acquisition Limited was due to the identification of an outstanding VAT liability in its subsidiary Bonded Services International B.V., which resulted in Bonded Services International B.V being sold to another group company for €1. The impairment in Haworth Group Holdings (UK) Limited followed the transfer of their trade and assets to the Company.

Finance expenses increased to £6.6 million (2018: expense £6.4 million).

As at the balance sheet date the company had net current assets of £352.9 million (2018: £467.9 million), including a net bank overdraft of £64.7 million (2018: £23.5 million cash at bank and in hand). Net assets fell to £139.0 million as at 31 December 2019 (2018: £265.8 million) with the profit in the year being more than offset by dividend payments of £159.8 million.

During 2019 the company purchased the entire share capital of DBJ Limited for £2.7 million and Saracen Datastore Limited for £7.6 million. The company also purchased the share capital of Bonded Services Limited for £19.6million and FTS Limited for £0.3million from another Iron Mountain Inc. group company ("the group"). The company also increased its investment in Hawthorn Group Holdings (UK) Limited by £0.3 million. The investment in Iron Mountain Nederland Holdings BV was distributed to the immediate parent company, Iron Mountain Europe (Group) Limited, by way of a dividend in specie in the amount of £145.8 million.

The assets and trade of Saracen Datastore Limited, Disaster Recovery Services Limited and Bonded Services Limited were subsequently transferred into the company contributing approximately £3.4 million to the revenue in the year.

KEY PERFORMANCE INDICATORS

The company is a member of the Iron Mountain Inc. group of companies. The Iron Mountain group is managed on a geographical basis across service offerings. For this reason, the directors believe that further analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of the entity. The development, performance and position of the geographical region, which includes the company, are disclosed in the group's annual report per note 23.

SECTION 172 STATEMENT

The Board of Directors, in line with their duties under s.172 of the Companies Act 2006, act in a way they consider to be in the collective best interests of the Company and its stakeholders. This is critical to the long term success of our business and key to maintaining engaged and constructive relationships with employees, customers, shareholders, suppliers and the wider communities in which we operate.

The Company's core values which can be found on the group website (https://www.ironmountain.com/about-us/values) are acting with honesty and integrity, owning safety and security, build customer value, take ownership and promote inclusion and teamwork. These values mean we are open and honest and live our values every day, we protect ourselves and each other from harm, and secure our customers' assets as if they were our own, we constantly look for ways to better serve our customers and improve their business, we take personal responsibility for the success of our teams, our customers, and our company and we look for and value each other's unique ideas and perspectives to get better results. Without exception it is expected that all involved with the Company (in any capacity) act in accordance with these values. The commitment to these values, coupled with the consistent promotion of an open dialogue culture, enables the Directors to develop a close understanding of: (i) key stakeholders in relation to each decision; and (ii) the needs, concerns and aspirations of these stakeholders. In turn this enables the Board to make decisions in context by balancing competing interests and with due consideration to likely consequences in the short, medium and long term.

Our reporting structures and frequent communication throughout our business, both formal and informal, along with our internal controls including Sarbanes Oxley controls and a group internal audit function, ensure that the Board has complete information and is aware of all strategic and material decisions providing confidence that the right decisions are being made at the right time in line with s.172. Our open dialogue culture also enables balanced consideration to be given to factors relating to our operations, the communities in which we operate and support, the natural environment and our social responsibilities.

To demonstrate the aforementioned behaviours, below is a list of our key stakeholders, the methods used by the Board to engage with them (directly or indirectly) and a non-exhaustive, illustrative, list of some key decisions of the Company highlighting the Board of Director's compliance with the requirements of s.172 and the interplay between the different considerations involved.

SECTION 172 STATEMENT (continued)

Stakeholder	Method of Engagement
Employees	Information is shared with, and feedback sought from, employees on a frequent basis. This takes the form of weekly briefings, group calls and Q&As with the leadership team. In addition the Company has invested in technology and connective platforms to facilitate the real time sharing of information. Additionally the Board periodically visit our sites across the territory to engage directly with employees.
Customers	The Board and senior management routinely engage directly with customers. This is through meetings, feedback panels, surveys and briefings. Further our customer facing teams, including sales and account management personnel, are in touch with our customers daily to understand and service their current and future requirements.
Shareholders	Our ultimate shareholders are engaged through interactive earning calls, meetings and filings. The Board interact throughout the year with the Company's parent company and shareholder.
Suppliers	Our procurement team and employees engage with our suppliers on a frequent basis to ensure that the supply chain is effective, robust and appropriately managed.
Communities	The business encourages all employees to engage with local communities and act in a socially and environmentally responsible manner.

The aforementioned engagement and interactions inform the Board of stakeholder interests and concerns. These are then factored into decision made about actions which will best lead to the success of the Company having regard to the long term.

Below are some key decisions of the Board (which were made following and considering stakeholder interests) and details of the impacted stakeholders.

PROJECT SUMMIT:

Like many organisations which have grown through acquisition the Company had a complicated and multi-layered decision making structure. Feedback from our customers and employees demonstrated that this restricted our ability to make quick and agile decisions, particularly in comparison to some of our competitors.

In recognition of this challenge, and as part of a global rebalancing exercise, a number of mid/senior management and administrative roles were streamlined from the Company. This was known as "Project Summit".

Decisions regarding our personnel are never taken lightly, it is our people who make the Company, however on balance it was considered that these changes (alongside considerable investment in technology) would 'right-size' our business.

Specifically, it was considered that this exercise would: (i) provide a more dynamic environment for our remaining employees creating greater development opportunities and allowing them to lead a greater number of initiatives; (ii) provide quicker decision making for our customers enabling us to better meet their needs; and (iii) reduce costs in the business enabling us to re-invest in the Company and/or pass greater dividends back to our shareholders.

SECTION 172 STATEMENT (continued)

PROJECT SUMMIT: (continued)

Regrettably there was a negative impact on the employees whose roles were removed. However on balance it was deemed that this restructuring provided the Company with the best platform for sustainable and long term growth and strengthen our ability to foster partnerships with our customer base. Further Project Summit would allow the Company to continue to provide industry leading services whilst maintaining customer value strengthening its reputation for upholding high standards of business conduct.

STORAGE BEYOND CUBE:

In recognition of changes in our customers' requirements, the Company has invested significantly in its capability to provide physical storage of items other than hardcopy records ("Storage Beyond Cube"). This includes pallet storage, art storage and artefact storage. The decision to invest in these areas was taken to solve immediate challenges faced by our customers and to future proof our business for the benefit of our employees and shareholders. The opportunity cost of this investment was lower capital to invest in other areas of our business, however it was deemed the most prudent use of capital for the business' long term interests.

SOLAR PANEL & CARBON FOOTPRINT REDUCTIONS:

In 2019 we undertook a significant project to install solar panels on the roofs of a number of our facilities and to replace existing lighting systems with low energy lightbulbs and motion sensors. The investment and short-term disruption to our operations during the installation process, in addition to reviewing our transport fleet (both in terms of the types of vehicles used their frequency of use), demonstrates a firm and consistent commitment reducing our carbon footprint and operating in an environmentally sustainable and responsible manner. Decisions such as these, which go beyond our regulatory requirements, will be to the benefit of the Company, the environment and our wider communities and demonstrate Company's aspirations to lead the way in environmentally operational practices.

INCREASE IN WAGES & CHARITY DAYS:

In 2019 the company increased the base salary of its logistics and transport staff by an average of 11%. This was done not only to ensure compliance with regulation and best practices but in part in response to employee feedback and to improve the engagement and likelihood of long tenure within the workforce.

Further the Board of Directors approved all employees being given the opportunity to take paid volunteer days for causes of their choice within their communities. This, among other initiatives detailed at: https://www.ironmountain.com/about-us/corporate-social-responsibility/our-communities has helped to develop community relationship and benefited charitable causes.

PRINCIPAL RISKS AND UNCERTAINTIES

SECURITY OF CUSTOMER DATA

The wider group has experienced incidents in which customers' backup tapes or other records have been lost, and it has been informed by customers in some incidents that the lost media or records contained personal information. Although there have been no significant cyber breaches there is also the risk of cyber-attack on the company's systems, which could lead to the loss of personal customer information. Although a potential risk, this is not considered to be a material matter of concern for Iron Mountain (UK) plc.

The increased focus on data security may lead to governmental action and/or changes in customer demand as a result of which the company may be required to modify its operations with the goal of further improving data security or accept increased liabilities or obligations if breaches of data security occur with respect to data in its custody. However, the company may be unable to increase its prices sufficiently to counter the increased costs associated with such modifications to operating practices or such acceptance of increased liabilities and obligations. In addition, any compromise of security, accidental loss or theft of customer data in the company's possession could damage its reputation and expose it to risk of liability, which could harm its business and adversely impact its financial results

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

EFFECTS OF ALTERNATIVE TECHNOLOGIES

The company derives most of its revenues from the storage of paper documents and storage related services. This storage requires significant physical space. Alternative storage technologies exist, many of which require significantly less space than paper documents. These technologies include computer media, optical disk and cloud based storage. The company's customers may choose to store most of their records in alternative formats. A significant shift by the company's customers to storage of data through non-paper based technologies, whether now existing or developed in the future, could adversely affect its business.

POTENTIAL LIABILITIES AND COST ASSOCIATED WITH THE REAL ESTATE REQUIRED FOR THE BUSINESS

Due to the company's business being heavily dependent on real estate, it faces risks attributable to the real estate that it owns or leases. Such risks include:

- variable occupancy costs and difficulty locating suitable sites due to fluctuations in the real estate market;
- uninsured losses or damage to our storage facilities due to an inability to obtain full coverage on a cost-effective basis for some casualties, such as natural disasters, or any coverage for certain losses, such as losses from riots or terrorist activities;
- loss of our investment in, and anticipated profits and cash flow from, damaged property that is uninsured; and
- liability under environmental laws for the costs of investigation and cleanup of contaminated real estate owned or leased by the company, whether or not the company knows of, or is responsible for, the contamination, or the contamination occurred while it owned or leased the property.
- costs for reinstatement of leased buildings to their original state and dilapidation costs on lease termination.

COVID-19

In March 2020 the spread of the Covid-19 pandemic, resulted in the UK entering a period of lockdown, resulting in a significant reduction in short term economic activity which reduced demand for the company's services, however the majority of the company's revenue (Note 3) is derived from storage which was largely unaffected. Overall revenue decreased by about 10% in April 2020, also the uncertainties are considered to have increased the credit risk on collectability of receivables. In response we have sought to reduce costs where possible, including taking up the option of furloughing staff where appropriate, during April and May 2020 10.4% and 12.4% of employees were on furlough respectively. While we currently anticipate activity levels will improve through the second part of 2020, the timing and extent of any improvement is highly uncertain and the circumstances have increased the general economic uncertainties. We continue to monitor the situation closely and review the risks to the business.

FINANCIAL RISK MANAGEMENT

The company is exposed to financial risk through its activities. Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet, the financial risks the directors consider relevant are credit risk, liquidity risk and cash flow risk. The company manages these risks by regularly monitoring debtors and ensuring compliance with continuing banking agreements.

Credit risk

The company's principal financial assets are bank balances, balances due from fellow group companies and trade debtors.

Credit risk associated with trade debtors is managed through regular review of customer risk ratings and collection rates. The credit risk on intra group receivables is not considered to be significant. Further the credit risk on liquid funds is considered limited with the counterparty having a recognised credit rating.

FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

The company uses cash generated from operations to fund its activities and also has access to a group cash pooling arrangement. The cash requirements to service and repay external debt facilities are monitored closely to appropriately ensure liquidity is available.

Cash flow risk

The nature of activities expose the company to the risk of changes in foreign currency exchange rates and interest rates, which is managed by the group treasury team.

BREXIT

The United Kingdom exited the European Union in January 2020 after the country voted to leave in a referendum in June 2016. As it stands, the United Kingdom is currently in the transition period until the end of 2020 and the terms of its exit are still under negotiation. The directors do not consider Brexit to pose a significant risk to the business as all external revenue is derived from the United Kingdom. The directors continue to monitor the situation closely and review potential risks to the company.

FUTURE DEVELOPMENTS

The directors expect the company to continue its current activities for the foreseeable future, although some activities are expected to be reduced due to the impact of Covid-19. The directors will continue to pursue opportunities to grow the business and achieve operational efficiencies.

Approved by the board of directors and signed on behalf of the Board by:

PJ Keddy

P Keddy
Director
25 June 2020

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

RESULTS

The results for the year ended 31 December 2019 are presented in the profit and loss account on page 19 and the financial position is presented in the balance sheet on page 20. The results are discussed in the strategic report on pages 2 to 7.

As discussed in the strategic report the trading results for the year were satisfactory. Turnover for the year was £177.7 million (2018: £175.1 million) and pre-tax profit was £39.8 million (2018: £47.4 million).

Dividends of £159.8 million were proposed and paid in respect of the year ended 31 December 2019 (2018: £nil). No dividends have been declared or proposed after the year end.

STRATEGIC REPORT

The information that fulfills the Companies Act requirements of the business review is included within the strategic report. This includes a review of the development of the business, financial risk management and likely future developments within the business.

EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date the COVID-19 pandemic developed rapidly. The UK entered a period of lockdown in March 2020, resulting in a significant reduction in short term economic activity which reduced demand for the company's services, however the majority of the company's revenue (Note 3) is derived from storage which was largely unaffected. Overall revenue decreased by about 10% in April 2020. In response we have sought to reduce costs where possible, including taking up the UK Government option of furloughing staff where appropriate and to deferring certain statutory payments, during April and May 2020 10.4% and 12.4% of employees were on furlough respectively. While we anticipate activity levels will show recovery through the second part of 2020, the timing and extent of improvement is uncertain and the circumstances increase the general economic risk. We continue to monitor the situation closely and to review the risks to the business.

GOING CONCERN

The financial statements are prepared on a going concern basis. The company had net current assets of £352.9 million as at 31 December 2019 (2018: £467.9 million) and continues to have access to a group cash pool to fund day to day operations. The directors have received confirmation from the ultimate parent company, Iron Mountain Inc. of its continuing support for a period of at least 18 months from the date of approval of these financial statements. At 31 March 2020 Iron Mountain Inc. had facilities of $1,099.5 million (2018: $912.9 million) available and not drawn down.

The directors having assessed the financial position and prospects for the company, including risks and uncertainties arising from the Covid-19 pandemic as discussed above, are satisfied that the company has adequate resources to continue to operate as a going concern throughout the twelve months following the date of approval of these financial statements.

COMPANY SECRETARY

S Moynihan resigned as company secretary on 18 May 2020 and was replaced by J Virgo on the same date.

DIRECTORS

The directors of the company, who served in the year and to the date of this report are as follows:

S Golesworthy	(Resigned 30 September 2019)
P Keddy	
C Marshall	(Resigned 30 November 2019)
G Mackie	(Appointed 30 November 2019)

DIRECTORS' INDEMNITIES

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

SECTION 172 STATEMENT

Details of the steps taken by the company to comply with section 172 are discussed in the strategic report.

EMPLOYEES

The board pursues policies designed to encourage employees to identify with the company and use their knowledge and skills actively towards its success. Management is encouraged to make employees aware of the financial and economic factors affecting the company's performance.

Full consideration is given to employment applications from disabled persons who have the necessary aptitudes and abilities. Where an employee becomes disabled while employed, arrangements are made wherever practicable to maintain employment. The company seeks to develop the skills of disabled persons by providing appropriate training, taking into account their particular needs.

EMPLOYEE CONSULTATION

The company places considerable value on the involvement of its employees and has continued to keep them informed in matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings, the group magazine and a special edition of the annual financial statements for employees. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. Where there are major changes in the company policy or culture employee steering groups are established to gauge the views of employees.

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant information of which the company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP has indicated its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the board of directors and signed on behalf of the Board by:

PJ Keddy

P Keddy
Director
25 June 2020

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 enable them to ensure that the financial statements comply with the Companies Act 2006. 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 the maintenance and integrity of the corporate and financial information included on the company's website http://www.ironmountain.co.uk. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IRON MOUNTAIN UK PLC

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Iron Mountain UK plc (the 'company'):

- 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • *Risk of impairment in the carrying value of investments in subsidiaries* • *Risk of impairment in the carrying value of goodwill* Within this report, key audit matters are identified as follows:

	Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used in the current year was £2.7m. Our materiality assessment was primarily determined by reference to revenue, being a driver of business activity and key performance measure. We also considered the relevance of other performance benchmarks when determining materiality, namely profit before tax and EBITDA.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

4. Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where: • the directors' use of the going concern basis of accounting in 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.	*We have nothing to report in respect of these matters.*

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Risk of impairment in the carrying value of investments in subsidiaries

Key audit matter description	The company holds investments in subsidiaries with a total carrying value of £140.3m as at 31 December 2019 (2018: £178.5m), representing 16% (2018: 20%) of total assets, see note 12 to the financial statements. Judgement is required by the directors in assessing the recoverability of the carrying value of investments. As disclosed at note 2 to the financial statements, the assessment involves consideration of the financial position and prospects for the individual investments making up the book value as at 31 December 2019. Where the net assets of individual subsidiaries are lower than the book value of the investment held, further assessment of the recoverable value of the investment is performed by considering the estimated discounted future cash flows. The application of inappropriate valuation methodologies or use of

	inappropriate key assumptions could have a material impact on the resultant assessment. An impairment of £10.94m was recognised in the year in relation to investments held in Bonded Services Acquisition Ltd and Haworth Group Holdings (UK) Ltd. The impairment in Bonded Services Acquisition Limited was due to the identification of an additional liability in its subsidiary Bonded Services International B.V. prior to its transfer to another group company. The impairment in Haworth Group Holdings (UK) Limited followed the transfer of their trade and assets to the Company.
How the scope of our audit responded to the key audit matter	We obtained the 31 December 2019 financial information for the underlying investments to assess if they supported the carrying value. Where relevant we challenged key assumptions used in the development of the estimated future cash flows, which reflected the economic assessment as at 31 December 2019, pre Covid-19 which is a considered to be a non-adjusting post balance sheet event. Our challenge included consideration of the economic circumstances and prospects, including risks such as Brexit, the consistency of the future cash flows with recent performance, and we assessed the historical accuracy of past forecasts. We also considered the reasonableness of the discount rate and terminal value multiples used in calculating the present value of future cash flows. The level of headroom and risk of reasonable downside sensitivities on available headroom was considered.
Key observations	Based on the work performed, we conclude that the carrying value of the investments in subsidiaries is appropriate.

5.2. Risk of impairment in the carrying value of goodwill

Key audit matter description	Goodwill in excess of the net amount of the identifiable assets, liabilities and contingent liabilities acquired is stated in the balance sheet at £42.7m at 31 December 2019 (2018: £27.5m). As disclosed at note 1 to the financial statements, goodwill is amortised evenly over its estimated useful life, not exceeding 20 years. The average remaining useful life is 4 years. Section 27 of FRS102 'Impairment of Assets' requires goodwill acquired to be assessed at each reporting date for any indication of impairment. Judgement and estimation is involved in the directors' assessment of the recoverability of goodwill. The judgement and estimation includes consideration of * Identification of cash generating units (CGUs) and attributable goodwill * Identification and consideration of potential impairment indicators * Future trading and cash flow projections * Application of an appropriate discount rate
How the scope of our audit responded to the key audit matter	In evaluating the risk of impairment in the carrying value of goodwill at 31 December 2019, we have: * Considered the existence of impairment indicators in accordance with Section 27.7 of FRS 102; * Addressed the appropriateness of the CGUs identified by management

	* Considered and challenged as appropriate key assumptions underlying *the trading projections*, pre Covid-19, *and the applied discount rate*; and * Considered the risk of impairment from downside sensitivities
Key observations	Based on the work performed we concluded that the carrying value of goodwill is appropriate and no impairment is identified as at 31 December 2019.

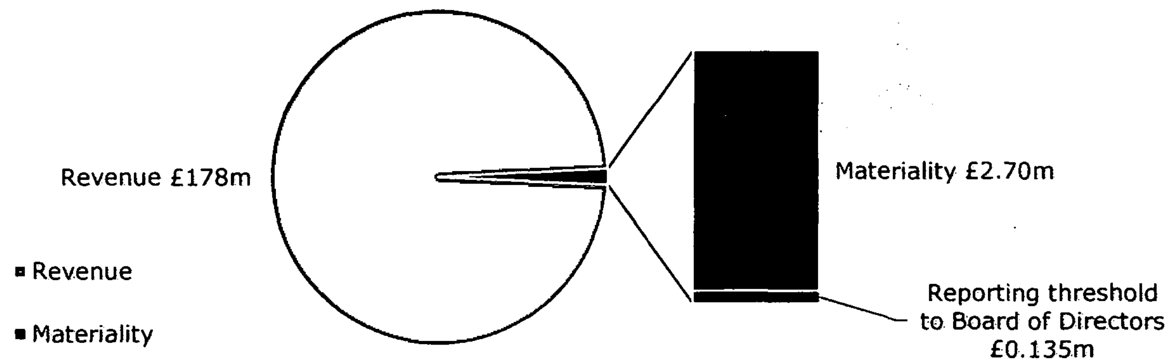
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£2.7m (2018: £1.87m)
Basis for determining materiality	*Materiality reflects consideration* of key benchmarks including revenue, profit before tax and EBITDA as well as assessment of the overall size and shape of the financial statements. The calculated materiality represents 1.5% of revenue, 13.9% of profit before tax and 5.5% of EBITDA.
Rationale for the benchmark applied	Revenue is considered a key metric when assessing business performance and we weighted our assessment of materiality to this measure as opposed to profit measures which are more volatile.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

- Our risk assessment did not identify a disproportionate number of significant risks of material misstatement,
- Our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the directors that we would report to them all audit differences in excess of £135k, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2. Our consideration of the control environment

We performed walkthroughs and confirmed our understanding of controls in each key business cycle. We tested and placed reliance on certain controls relating to revenue.

We utilised specialists to support our assessment of the general IT environment and key controls over the Oracle ERP system.

8. Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

10. Auditor's 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 auditor's 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 auditor's report.

Report on other legal and regulatory requirements

11. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

12. Matters on which we are required to report by exception

12.1. Adequacy of explanations received and accounting records

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

12.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

13. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Graeme Sheils CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, UK
25 June 2020

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Turnover	3		177,741		175,133
Cost of sales			(50,891)		(45,411)
GROSS PROFIT			126,850		129,722
Administrative expenses			(100,514)		(99,155)
OPERATING PROFIT			26,336		30,567
Gain on sale of fixed asset		28,398		21,832	
Other (expense)/income	7	(8,265)		1,447	
Net finance expense	6	(6,623)		(6,421)	
			13,510		16,858
PROFIT BEFORE TAXATION	5		39,846		47,425
Tax (charge)/credit on profit	8		(6,924)		1,494
PROFIT FOR THE FINANCIAL YEAR			32,922		48,919

All results are derived from continuing operations. There are no recognised gains and losses other than those presented above. Accordingly, no separate statement of comprehensive income is presented.

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £'000	2018 £'000
FIXED ASSETS			
Goodwill	10	38,880	27,525
Tangible assets	11	127,725	132,220
Investments	12	140,298	178,537
		306,903	338,282
CURRENT ASSETS			
Debtors – amounts falling due within one year	13	566,745	532,512
Cash at bank and in hand		5,610	23,515
		572,355	556,027
CREDITORS			
Amounts falling due within one year	14	(219,479)	(88,118)
NET CURRENT ASSETS		352,876	467,909
TOTAL ASSETS LESS CURRENT LIABILITIES		659,779	806,191
CREDITORS			
Amounts falling due after more than one year	15	(504,905)	(530,299)
PROVISIONS FOR LIABILITIES	17	(15,922)	(10,077)
NET ASSETS		138,952	265,815
CAPITAL AND RESERVES			
Called-up share capital	18	5,145	5,145
Capital reserve	19	(1,804)	(1,804)
Profit and loss account	19	135,611	262,474
SHAREHOLDERS FUNDS		138,952	265,815

The notes on pages 22 to 40 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 25 June 2020 and signed on its behalf by:

P J Keddy

P Keddy
Director

Registered number: 01478540

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

		Called-up share capital £'000	Capital reserve £'000	Profit and loss reserve £'000	Total £'000
At 1 January 2018		5,145	(1,804)	213,555	216,896
Total comprehensive income and profit for the financial year		-	-	48,919	48,919
At 31 December 2018		5,145	(1,804)	262,474	265,815
Total comprehensive income and profit for the financial year		-	-	32,922	32,922
Dividends paid	Note 9	-	-	(159,785)	(159,785)
At 31 December 2019		5,145	(1,804)	135,611	138,952

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have been applied consistently throughout the current and prior year.

GENERAL INFORMATION AND BASIS OF ACCOUNTING

Iron Mountain (UK) plc is a public company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on page 2.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional and presentational currency of Iron Mountain (UK) plc is considered to be pounds sterling being the currency of the primary economic environment in which the company operates. All amounts in these financial statements have been rounded to the nearest £1,000.

Iron Mountain (UK) plc meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of preparing consolidated financial statements because it is a wholly owned subsidiary of a parent company which prepares consolidated financial statements. These consolidated financial statements are publicly available from the address shown in note 23. The ultimate parent company, Iron Mountain Inc., is incorporated in Delaware, United States of America.

The company has also taken advantage of the disclosure exemptions in respect of share-based payments, financial instruments, presentation of a cash flow statement, key management personnel compensation and disclosing related party transactions with entities that are part of the group headed by the ultimate parent company, for which group accounts are prepared. There are no other related party transactions.

1. ACCOUNTING POLICIES (continued)

GOING CONCERN

The financial statements are prepared on a going concern basis. The company had net current assets of £352.9 million as at 31 December 2019 (2018: £467.9 million) and continues to have access to a group cash pool to fund day to day operations. The directors have received confirmation from the ultimate parent company, Iron Mountain Inc. of its continuing support for a period of at least 18 months from the date of approval of these financial statements. At 31 March 2020 Iron Mountain Inc. had facilities of $1,099.5 million (2018: $912.9 million) available and not drawn down.

The directors having assessed the financial position and prospects for the company, including risks and uncertainties arising from the Covid-19 pandemic as discussed above, are satisfied that the company has adequate resources to continue to operate as a going concern throughout the twelve months following the date of approval of these financial statements.

CLASSIFICATION OF FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY

In accordance with FRS 102.22, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

They include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

Where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

BASIC FINANCIAL INSTRUMENTS

Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

1. ACCOUNTING POLICIES (continued)

BASIC FINANCIAL INSTRUMENTS (continued)

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Freehold buildings	2.5% on cost
Leasehold property	over the lease term
Racking	5%-20% on cost
Fixtures and fittings	20% on cost
Computer equipment	33% on cost

Residual value is calculated at prices prevailing at the date of acquisition or valuation. The costs of assets under the course of construction are capitalised as incurred. Once complete, the assets are transferred to the appropriate asset category and depreciated from that date.

GOODWILL

Goodwill is calculated as the excess of the fair value of consideration over the fair values of the identifiable net assets and liabilities acquired. Goodwill is shown in the balance sheet as an intangible asset and amortised evenly over its estimated useful economic life, which will not exceed 20 years. In addition to annual amortisation any impairment in the book value of goodwill is recognised when identified. Any such write-down is charged against the operating result for the period.

INVESTMENTS

Fixed asset investments are shown at cost less provision for impairment. Impairment is recognised when identified.

EMPLOYEE BENEFITS

Defined contribution plans and other long-term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

PROVISIONS

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event that can be reliably measured and it is possible that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1. ACCOUNTING POLICIES (continued)

TURNOVER

Turnover relates to goods and services supplied to third parties in the normal course of business and intercompany management fees are stated net of trade discounts and VAT. Supplies of goods and services are recognised when the goods or services are rendered. The activities of the business are solely in the United Kingdom.

FOREIGN CURRENCY

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Exchange differences are included in the profit and loss account.

LEASED ASSETS

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

TAXATION

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

1. ACCOUNTING POLICIES (continued)

TAXATION (continued)

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty – impairment of investments in subsidiaries (note 12)

Determining whether investments in subsidiaries are impaired requires an estimation of their recoverable values, compared to the cost of the investment on an individual basis. This assessment requires consideration of the net assets of the subsidiary and, where necessary its value in use calculated using estimated discounted future cash flows. As well as estimating future cash flows a discount rate has to be applied to calculate the present value. The appropriate discount rates are developed with the assistance of a third party. An impairment in subsidiaries of £10.9 million was identified as at 31 December 2019 and is recognised in the result for the year.

Key sources of judgement and estimation uncertainty – carrying value of goodwill

In assessing the carrying value of goodwill the directors are required to consider the existence of indicators of impairment at the balance sheet date. Where such indicators are identified the carrying value of goodwill is further assessed by calculating the value in use using estimates of future cash flows and a suitable discount rate to calculate the present value. No impairment was identified in the year ended 31 December 2019.

Key sources of estimation uncertainty – property provisions (note 17)

In determining the expected liability for property related provisions for dilapidations and asset retirement obligations estimates are developed through a combination of input from third party advisors and experience of similar transactions. The base assumptions for the calculations are reviewed annually and updated where needed.

Key sources of estimation uncertainty – taxation

Judgement is required in assessing the tax consequences of transactions and estimating the provision for income and corporate taxes. Where the final outcome is different from the amounts initially recorded, such differences will impact the current and deferred taxes assets and liabilities in the period in which such determination is made.

3. TURNOVER

An analysis of the company's revenue is as follows:

	2019 £'000	2018 £'000
Data protection	31,210	31,330
Entertainment storage services	1,831	-
Fine arts	1,668	462
Records management	142,760	143,156
Other services	272	185
Total turnover	177,741	175,133

All turnover relates to goods sold and services provided by the company within the United Kingdom.

4. STAFF COSTS

	2019 £'000	2018 £'000
Staff Costs, including directors		
Wages and salaries	16,151	15,658
Social security costs	2,986	2,497
Other pension costs	66	44
	19,203	18,199

Certain key management and staff hold options over shares in Iron Mountain Inc., the ultimate parent company.

The number of directors who exercised share options in the year was 3 (2018: *nil*).

Details of the share option schemes can be found in the financial statements of Iron Mountain Inc.

The average monthly number of employees during the period was as follows:

4. STAFF COSTS (continued)

	2019 Number	2018 Number
Average monthly number of employees, including directors:		
Warehouse and distribution	63	71
Sales and service	237	219
	300	290

	£'000	£'000
Directors		
Directors' remuneration:		
Emoluments	2,434	1,788
Company contribution to pension schemes	17	24
	2,451	1,812

The above represents the total remuneration of the directors for Iron Mountain (UK) plc. The directors also serve as directors of certain other group companies. During the year 2 directors received payments for compensation for loss of office totalling £399,537 (2018: nil) these payments are included in Directors' remuneration in the above table.

The number of directors who were members of pension schemes was as follows:

	2019 Number	2018 Number
Money purchase schemes	2	2

	£'000	£'000
Highest paid director		
Emoluments	1,055	1,035
	1,055	1,035

5. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging/(crediting):

	Note	2019 £'000	2018 £'000
Depreciation of tangible fixed assets - own assets		12,303	11,352
Gain on sale of fixed assets		(28,398)	(21,832)
Goodwill amortisation		10,512	8,337
Impairment of investment in subsidiaries	12	10,935	1,964
Foreign exchange transaction (gain)/loss		(69)	329
Operating lease rentals:			
Property		1,478	17,396
Hire of plant and machinery		160	277
Auditor's remuneration			
Audit of company financial statements		373	309
Other audit related services		-	-
		373	309

The impairment of investment in subsidiaries relates to Bonded Services Acquisition Limited of £8.36 million and Haworth Group Holdings (UK) Limited of £2.58 million. An impairment was identified in the investments held in Haworth Group Holdings (UK) Limited of £2.58 million and Bonded Services Acquisition Limited of £8.36 million. The impairment in Bonded Services Acquisition Limited was due to the identification of an outstanding VAT liability in its subsidiary Bonded Services International B.V., which resulted in Bonded Services International B.V being sold to another group company for €1. The impairment in Haworth Group Holdings (UK) Limited followed the transfer of their trade and assets to the Company.

The table below presents a reconciliation of profit before tax to earnings before interest, tax, depreciation and amortisation

	2019 £'000	2018 £'000
Profit before tax	39,846	47,425
Net finance expense	6,623	6,421
Depreciation of tangible fixed assets - own assets	12,303	11,352
Gain on sale of fixed assets	(28,398)	(21,832)
Goodwill amortisation	10,512	8,337
Impairment of investment in subsidiaries	10,935	1,964
Earnings before interest, tax, depreciation and amortisation	51,821	53,667

6. NET FINANCE EXPENSE

	2019 £'000	2018 £'000
Interest received from group companies	14,665	15,437
Bond interest (3.875% senior notes)	(15,238)	(15,238)
Loan interest (GBP LIBOR +2.25%)	(949)	(917)
Other interest payable	(3,495)	(4,200)
Interest payable to group companies	(1,606)	(1,503)
Net finance expense	(6,623)	(6,421)

7. OTHER (EXPENSE)/INCOME

	Note	2019 £'000	2018 £'000
Sublease rental income		1,170	1,447
Dividend Income		1,500	1,964
Impairment of investment in subsidiaries	5	(10,935)	(1,964)
		(8,265)	1,447

On 21 May 2019 the subsidiaries Bonded Services Ltd and F.T.S. (Freight Forwarders) Ltd declared and paid dividends to the company of £1.0 million and £0.5 million respectively.

Sublease rental income is received from various properties rented by the company.

8. TAX ON PROFIT

	2019 £'000	2018 £'000
Current tax		
UK corporation tax	(2,834)	(3,706)
Adjustments in respect of prior periods	378	4,695
Total current tax (charge)/credit for the year	(2,456)	989
Deferred Tax		
Origination and reversal of timing differences	(3,300)	(1,639)
Adjustments in respect of prior periods	(1,168)	2,144
Total deferred tax (charge)/credit	(4,468)	505
Total tax (charge)/credit on profit	(6,924)	1,494

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

In the Government's Budget on 11 March 2020, it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment (17 March 2020) is after the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%. If the amended tax rate had been used, the net deferred tax liability would be higher by £597k.

8. TAX ON PROFIT (continued)

Factors affecting current tax (charge)/credit in the year

The difference between the tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2019 £'000	2018 £'000
Profit before tax	39,846	47,425
Tax on profit at standard UK corporation tax rate of 19% (2018: 19%)	(7,571)	(9,011)
Effects of :-		
Expenses not deductable for tax purposes	(3,731)	(2,473)
Change in unrecognised deferred tax assets	-	178
Income not taxable in determining taxable profit	5,403	4,521
Group relief claimed for nil consideration	2,911	2,625
Impact of changes in tax rate	558	29
Movement in tax provision	-	176
Taxable gain on sale	(3,705)	(1,390)
Adjustments to tax charge in respect of previous years	(789)	6,839
Total tax (credit)/charge for the year	(6,924)	1,494

The standard rate of tax applied to reported profit is 19% (2018: 19%). The applicable tax rate has changed following the substantial enactment of the Finance Act 2015 which provides for a reduction of the Corporation Tax rate to 19% from 1 April 2017.

9. DIVIDENDS ON EQUITY SHARES

A dividend of £14.0 million was proposed on 21 May 2019 and paid (2018: £nil). On 5 July 2019 a dividend in specie of £145.8million in the form the company's shareholding in Iron Mountain Nederland Holdings BV was made to Iron Mountain Europe (Group) Limited (2018: £nil).

10. GOODWILL

	Total £'000
Cost	
At I January 2019	110,598
Additions	21,867
At 31 December 2019	132,465
Amortisation	
At I January 2019	83,073
Change in the year	10,512
At 31 December 2019	93,585
Net Book Value	
At 31 December 2019	38,880
At 31 December 2018	27,525

The additions arose from the transfer of assets and trade of Saracen Datastore Ltd, Bonded Services Ltd and Disaster Recovery Services Ltd as discussed in the review of the business within the strategic report.

11. TANGIBLE ASSETS

	Freehold land and buildings £'000	Leasehold property £'000	Racking £'000	Fixtures and fittings £'000	Computer equipment £'000	Assets in the course of construction £'000	Total £'000
Cost							
At I January 2019	108,536	61,117	89,844	2,445	8,818	4,406	275,166
Additions	697	1,723	2,996	828	1,932	5,665	13,841
Disposals	(8,580)	(1,413)	(550)	(315)	(2,457)		(13,315)
Reclassifications	(573)	630	36		55	(148)	-
At 31 December 2019	100,080	62,057	92,326	2,958	8,348	9,923	275,692
Depreciation							
At I January 2019	35,609	42,961	55,066	1,984	7,326	-	142,946
Charge for the period	3,380	3,111	4,174	190	1,448	-	12,303
Disposals	(4,266)	(590)	(255)	(185)	(1,986)	-	(7,282)
At 31 December 2019	34,723	45,482	58,985	1,989	6,788	-	147,967
Net book value							
At 31 December 2019	65,357	16,575	33,341	969	1,560	9,923	127,725
At 31 December 2018	72,927	18,156	34,778	461	1,492	4,406	132,220

12. INVESTMENTS

The company's direct investments in subsidiaries at the balance sheet date are:

Company	Class of Share	Holding	Principal Activity	Country of Incorporation
Iron Mountain MDM Limited	Ordinary	100%	Dormant	Great Britain
File Express Limited	Ordinary	100%	Dormant - In Liquidation	Great Britain
Recall Limited	Ordinary	100%	Records management	Great Britain
Iron Mountain Poland Holdings Limited	Ordinary	100%	Records and information management	Cyprus
Bonded Services Acquisition Limited	Ordinary	100%	Investment holding company	Great Britain
Haworth Group Holdings (UK) Limited	Ordinary	100%	Investment holding company	Great Britain
Saracen Datastore Limited	Ordinary	100%	Records and information management	Great Britain
DBJ Limited	Ordinary	100%	Records and information management	Jersey
Bonded Services Limited	Ordinary	100%	Records and information management	Great Britain
F.T.S. (Freight Forwarders) Limited	Ordinary	100%	Warehouse and storage facilities	Great Britain

Investments held indirectly by the company as a result of the investment in the above named companies are attached in note 24 to these financial statements.

	Total £'000
Cost	
At 1 January 2019	183,116
Additions	118,472
Disposals	(145,776)
At 31 December 2019	155,812
Provisions for impairment	
At 1 January 2019	4,579
Impairment in year	10,935
At 31 December 2019	15,514
Net Book value	
At 31 December 2019	140,298
At 31 December 2018	178,537

On 31 January 2019 Iron Mountain (UK) plc acquired 100% of the issued share capital of DBJ Limited for £2.7 million and Saracen Datastore Limited for £7.6 million. On 15 January 2019 Iron Mountain (UK) plc acquired 100% of the issued share capital of F.T.S. (Freight Forwarders) Limited for £0.3 million and Bonded Services Limited for £19.7 million. On 1 December 2019 the assets and trade of Bonded Services Limited were transferred to Iron Mountain (UK) plc. Iron Mountain (UK) plc also increased it's holding in Haworth Group Holdings (UK) Limited by £0.3 million. On 5 July 2019 the company made a capital contribution of £87.9 million and distributed its holding in Iron Mountain Nederland Holdings BV to its immediate parent company Iron Mountain Europe (Group) Limited by way of a dividend in specie (note 9).

12. INVESTMENTS (continued)

Investments were assessed for impairment as at 31 December 2019. This involved comparing the value of investments to their net assets and, if lower, considering their estimated value in use, calculated by reference to discounted future cash flows. An impairment was identified in the investments held in Haworth Group Holdings (UK) Limited of £2.58 million and Bonded Services Acquisition Limited of £8.36 million. The impairment in Bonded Services Acquisition Limited was due to the identification of an outstanding VAT liability in its subsidiary Bonded Services International B.V., which resulted in Bonded Services International B.V being sold to another group company for €1. The impairment in Haworth Group Holdings (UK) Limited followed the transfer of their trade and assets to the Company.

13. DEBTORS

	2019 £'000	2018 £'000
Amounts due within one year		
Trade debtors	35,136	32,084
Prepayments and accrued income	24,261	25,714
Amounts due from group undertakings	501,662	468,643
Other debtors	5,686	6,071
	566,745	532,512

Amounts due from group undertakings contain two loans totaling £452.1 million. Per the terms of each loan there is no fixed term repayment date and they are repayable on demand. The other amounts due from group undertakings bear interest at 3.25% per annum payable quarterly. All amounts due from group undertakings are repayable on demand.

14. CREDITORS: Amounts falling due within one year

	2019 £'000	2018 £'000
Bank overdrafts	70,336	-
Amounts due to group undertakings	83,538	14,422
Trade creditors	12,594	13,101
Corporation tax	1,781	2,436
Other taxation and social security	5,383	11,427
Accruals and deferred income	26,934	27,232
Deferred lease liabilities	40	363
Third party bond (3.875% senior notes)	15,302	15,500
Third party loan (GBP LIBOR +2.25%) (note 15)	3,571	3,637
	219,479	88,118

15. CREDITORS: Amounts falling due after more than one year

	2019 £'000	2018 £'000
Amounts due to group undertakings	24,819	51,475
Deferred lease liabilities	2,179	2,163
Third party – loan (GBP LIBOR +2.25%)	96,157	95,604
Third party - bond (3.875% senior notes)	381,750	381,057
	504,905	530,299
Third party borrowings are repayable as follows:		
Between one and five years – Third party loan (GBP LIBOR +2.25%)	96,157	95,604
Between one and five years – Third party bond (3.875% senior notes)	46,500	46,500
After five years – Third party bond (3.875% senior notes)	335,250	334,557
	477,907	476,661

Deferred lease liabilities

	2019 £'000	2018 £'000
Between one and two years	126	239
Between two and five years	765	775
After five years	1,288	1,149
	2,179	2,163
On demand or due within one year	40	363
	2,219	2,526

Amounts due to group undertakings are loans which carry interest charged at 6.63% per annum. The interest is compounded quarterly and the amounts are due for repayment in 2026.

The 3.875% senior notes were issued on 13 November 2017, with interest being payable bi-annually on 15 May and 15 November each year. The senior notes are unsecured and due for repayment on 15 November 2025.

During the financial year £13,000 of borrowing costs were capitalised, bringing the total value of borrowing costs capitalised to £7,475,000.

The third party loan is secured on certain owned sites with a book value of £50.4 million at the end of the financial year and bears interest at GBP LIBOR + 2.25%. The loan matures on September 23, 2022 with an option, at the lender's discretion, to extend for an additional year.

16. OPERATING LEASE COMMITMENTS

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

	2019 Land and Buildings £'000	2019 Other £'000	2018 Land and Buildings £'000	2018 Other £'000
Within one year	17,195	18	16,155	90
Between one to five years	57,568	5	53,809	16
More than five years	71,093	-	83,843	-
	145,856	23	153,807	106

17. PROVISION FOR LIABILITIES

	Property provision £'000	Deferred tax £'000	Asset retirement obligation £'000	Total £'000
At 1 January 2019	7,623	926	1,528	10,077
Utilisation of provision	(1,116)		-	(1,116)
Additions in the year	2,154	4,149	424	6,727
Settlements in the year	-		(25)	(25)
Accretion expense	-		259	259
At 31 December 2019	8,661	5,075	2,186	15,922

The property provision relates to onerous lease provisions and property dilapidations. It is estimated that £1,809,959 (2018: £748,612) of this expenditure will be incurred in the next financial year and that all of the provision will crystalise within 20 years of the balance sheet date.

The Asset Retirement Obligation provision relates to the provision held for restoring various fixed assets to their original state after use by the company. It is expected that all of this expenditure will be incurred within 20 years of the balance sheet date, however no expectation can be provided as to how much of this expenditure will be incurred in the next financial year.

17. PROVISION FOR LIABILITIES (continued)

Deferred tax

	2019 £'000	2018 £'000
Accelerated capital allowances	(470)	587
Short-term timing differences	(1,900)	(2,096)
Rolled over gains	7,445	2,435
	5,075	926

The movement in the net deferred tax liability is as follows:

	£'000
Net liability at 1 January 2019	926
Amounts credited to profit and loss account	3,300
Adjustments in respect of prior periods	1,168
Transfers from acquisitons	(319)
Net liability at 31 December 2019	5,075

18. CALLED-UP SHARE CAPITAL

	2019 £'000	2018 £'000
Allotted, called-up and fully paid		
5,140,001 ordinary shares of £1.00 each	5,140	5,140
5,000 preference shares of £1.00 each	5	5
	5,145	5,145

The preference shares carry the right, in priority to any payment of dividend on any other class of shares, to a fixed cumulative preferential dividend at the rate of 12% per annum. This is payable at the discretion of the directors. The directors decided no such payments were to be made in the current year or prior period.

On a liquidation or otherwise on a return of assets of the company, the surplus assets of the company remaining after payment of its liabilities will be applied first in repaying preference shareholders the amounts paid up on the shares together with a premium of £1 for each share and together also with a sum equal to any arrears or deficiency of the fixed dividend thereon, such arrears to be calculated down to the date of the return of capital and to be payable irrespective of whether or not such dividend has been declared or earned.

Each preference share ranks pari passu with each ordinary share in respect of the right to vote at general meetings of the company.

19. RESERVES

The capital reserve is the difference between the consideration paid by the company to File Express Limited for the assets transferred to the company on 1 February 2015 and the net book value of these assets. The balance reflects the consideration paid being more than the net book value of the assets received.

The profit and loss reserve represents cumulative profits or losses net of dividends paid and other adjustments.

20. PENSIONS

Defined benefit scheme

The company-operated defined benefit pension plan was closed in July 2017. The buy-in policy was converted to a buy-out policy and the scheme assets and liabilities were settled.

Defined contribution schemes

The company operates a number of defined contribution schemes for which the pension cost charge for the year amounted to £65,590 (2018: £44,321).

21. CAPITAL AND OTHER COMMITMENTS

Contracts placed for future capital expenditure not provided for in the financial statements amounted to £1,279,687 (2018: £272,106).

22. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date the COVID-19 outbreak has developed rapidly, with a significant number of infections. The principal risks and uncertainties and the impact on going concern have been discussed in detail elsewhere in these financial statements. We have concluded that the outbreak is a non-adjusting event in accordance with IAS 10.

23. ULTIMATE PARENT COMPANY

The immediate parent undertaking is Iron Mountain Europe (Group) Limited, a company registered in England & Wales. The company's ultimate parent company and controlling party is Iron Mountain Inc., a company incorporated in Delaware, United States of America.

Iron Mountain Inc. is the largest and smallest group company for which group financial statements are drawn up. Copies of the group financial statements are available from the head office of Iron Mountain Inc. at One Federal Street, Boston, Mass. 02110 USA or online at http://www.ironmountain.com.

24. INDIRECT INVESTMENTS HELD

The below is a list of investments held by Iron Mountain (UK) plc indirectly as a result of the investments in subsidiaries held directly as disclosed in note 12 on page 34.

Company	Class of Share	Holding	Principal Activity	Country of Incorporation
Recall GQ Ltd	Ordinary	100%	Records and information management - In liquidation	Great Britain
Recall (London) Limited	Ordinary	100%	Records and information management - In liquidation	Great Britain
Preferred Media Ltd	Ordinary	100%	Records and information management - In liquidation	Great Britain
Recall Shredding Ltd	Ordinary	100%	Records and information management - In liquidation	Great Britain
Iron Mountain Polska Sp z.o.o.	Ordinary	100%	Records and information management	Poland
Iron Mountain Polska Services Sp z.o.o.	Ordinary	100%	Records and information management	Poland
Bonded Services Group Limited	Ordinary	100%	Investment holding company	Great Britain
Novo Group Limited	Ordinary	100%	Investment holding company	Great Britain
Bonded Services International Limited	Ordinary	100%	Records and information management	Hong Kong
Novo Holdings Limited	Ordinary	100%	Investment holding company - In liquidation	Great Britain
Novo Overseas Limited	Ordinary	100%	Warehouse and storage facilities - In liquidation	Great Britain
Bonded Services International Limited	Ordinary	100%	Investment holding company - In liquidation	Great Britain
Film Media Services Limited	Ordinary	100%	Dormant - In liquidation	Great Britain
International Distribution Services Ltd	Ordinary	75%	Dormant - In liquidation	Great Britain
Filmbond Video Services Limited	Ordinary	100%	Dormant - In liquidation	Great Britain
Fleet Freight Limited	Ordinary	100%	Dormant - In liquidation	Great Britain
FTS Bonded Limited	Ordinary	100%	Dormant - In liquidation	Great Britain
F.T.S. (Great Britain) Limited	Ordinary	100%	Dormant - In liquidation	Great Britain
F.T.S. (Road Transport) Limited	Ordinary	100%	Dormant	Great Britain
Jigsaw Freight Limited	Ordinary	100%	Dormant - In liquidation	Great Britain
Jigsaw Pieces Limited	Ordinary	100%	Dormant - In liquidation	Great Britain
Global Logistics Worldwide Limited	Ordinary	100%	Warehouse and storage facilities - In liquidation	Great Britain
Hawthorn Group Limited	Ordinary	100%	Records and information management	Great Britain
Disaster Recovery Services Limited	Ordinary	100%	Records and information management	Great Britain