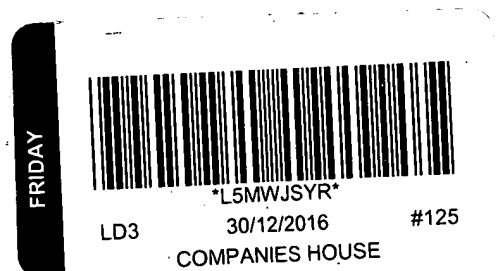


ISDC Developments (No2) Limited
Report and financial statements
31 March 2016

Company registration no. 06501672



ISDC Developments (No2) Limited

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ISDC Developments (No2) Limited

Officers and professional advisers

Directors

S Sutton

J A Thompson

Registered Office

Witan Gate House

500 – 600 Witan Gate West

Milton Keynes

Buckinghamshire

MK9 1SH

Solicitors

Taylor Wessing LLP

5 New Street Square

London

EC4A 3TW

Auditor

Deloitte LLP

Chartered Accountants and Statutory Auditor

Cambridge

ISDC Developments (No2) Limited

Strategic report

Business review

During the year, the Company continued to make good progress. Revenue increased from £16.5 million to £17.2 million driven by new customer revenues. Gross profit has remained consistent at 75% and operating costs have reduced as a result of lower recharges of costs from the parent company in the year, resulting in higher EBITDA* profit of £12.7 million (2015: £8.4 million) and operating profit of £6.6 million (2015: £3.2 million).

Cash at the 31 March 2016 was £8.5 million (2015: £10.2 million). There were £0.3 million (2015: £0.9 million) of additions to fixed assets (excluding finance lease additions) and borrowings reduced to £40.4 million (2015: £48.1 million) as a result of debt repayments offset by interest charged.

Principal risks and uncertainties, financial risk management objectives and policies

The Company is affected by a number of principal risks and uncertainties, which are consistent with those affecting the Infinity SDC Limited group. All financial risk management activities are carried out at Group level. Financial risks, management objectives and policies are described in Infinity SDC Limited's report and financial statements for the year ended 31 March 2016.

*EBITDA is operating profit/loss before depreciation and amortisation

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



S Sutton
Director

ISDC Developments (No2) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2016.

Principal activities

The principal activities of the Company continue to be the provision of data centre and ancillary services.

Going concern

The directors have considered the risks and uncertainties disclosed in the Strategic Report for the Company and formed a judgement when approving these financial statements that there is a reasonable expectation based on the Company's forecasts and projections, and taking into account the fact that the parent company has also agreed to provide continued support, that the Company will have available adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis in preparing the annual financial statements.

Directors

The directors, who served during the year and to the date of this report, were as follows:

S Sutton

J A Thompson

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.

Dividends

The directors do not recommend the payment of a dividend (2015: £nil).

Auditor

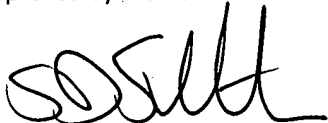
Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director to make himself 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 s418 of the Companies Act 2006.

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

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



S Sutton
Director

ISDC Developments (No2) Limited

Directors' responsibilities statement

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 101 "Reduced Disclosure Framework". 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.

ISDC Developments (No2) Limited

Independent auditor's report to the members of ISDC Developments (No2) Limited

We have audited the financial statements of ISDC Developments (No2) Limited for the year ended 31 March 2016 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, and the related notes 1 to 23. The financial reporting framework that has been applied in the preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2016 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

ISDC Developments (No2) Limited

Independent auditor's report to the members of ISDC Developments (No2) Limited (continued)

Opinion on other matter 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 has 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 and the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Paul Schofield, FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Cambridge, United Kingdom

30 December 2016

ISDC Developments (No2) Limited

Statement of comprehensive income

		Year ended	
		31 March 2016 £'000	31 March 2015 £'000
	Notes		
Revenue		17,193	16,534
Cost of sales	8	(4,325)	(4,060)
Gross profit		12,868	12,474
Other operating expenses			
Depreciation and amortisation	12, 13	(6,114)	(5,162)
Other	8	(177)	(4,109)
Operating profit		6,577	3,203
Finance income	9	8	8
Finance costs	10	(7,376)	(8,421)
Loss before tax		(791)	(5,210)
Tax	11	-	18
Loss for the year		(791)	(5,192)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Movement on derivative financial instruments		(170)	(1,611)
Total comprehensive expense		(961)	(6,803)

All activities derive from continuing operations.

The notes on pages 12 to 31 are an integral part of these financial statements.

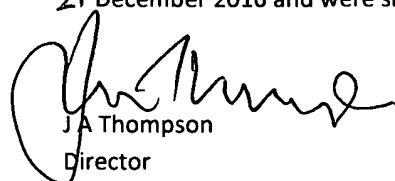
ISDC Developments (No2) Limited

Balance sheet

	Notes	31 March 2016 £'000	31 March 2015 £'000
Non-current assets			
Property, plant and equipment	12	86,871	71,542
Intangible assets	13	-	4
Trade and other receivables	14	516	1,797
		87,387	73,343
Current assets			
Trade and other receivables	14	2,300	1,997
Cash and short-term deposits	15	8,481	10,205
		10,781	12,202
Total assets		98,168	85,545
Equity			
Issued capital	16	-	-
Hedging reserve	16	(1,985)	(1,815)
Retained earnings		(28,768)	(27,977)
		(30,753)	(29,792)
Non-current liabilities			
Interest-bearing loans, borrowings and obligations under finance leases	18	83,478	71,692
Other non-current financial liabilities	19	1,985	1,815
Deferred revenue		2,920	3,434
		88,383	76,941
Current liabilities			
Trade and other payables	17	31,538	31,196
Interest-bearing loans, borrowings and obligations under finance leases	18	4,899	3,161
Deferred revenue		4,101	4,039
		40,538	38,396
Total liabilities		128,921	115,337
Total equity and liabilities		98,168	85,545

The notes on pages 12 to 31 are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the board of directors on 21 December 2016 and were signed on its behalf.


J A Thompson
Director

ISDC Developments (No2) Limited

Statement of changes in equity

	Issued share capital £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2014	-	(204)	(22,785)	(22,989)
Loss for the year	-	-	(5,192)	(5,192)
Movement on derivative financial instruments	-	(1,611)	-	(1,611)
Total comprehensive expense for the year ended 31 March 2015	-	(1,611)	(5,192)	(6,803)
At 31 March 2015	-	(1,815)	(27,977)	(29,792)
Loss for the year	-	-	(791)	(791)
Movement on derivative financial instruments	-	(170)	-	(170)
Total comprehensive expense for the year ended 31 March 2016	-	(170)	(791)	(961)
At 31 March 2016	-	(1,985)	(28,768)	(30,753)

ISDC Developments (No2) Limited

Notes to the financial statements

1. Summary of significant accounting policies

ISDC Developments (No2) Limited (the Company) is a Company incorporated in the United Kingdom under the Companies Act 2006. The Company is a private Company limited by shares and is registered in England and Wales. The Address of the Company's registered office is shown on page 3. The nature of the Company's operations and its principal activities are set out in the strategic report on page 4.

These financial statements are separate financial statements, and are included in the group accounts of Infinity SDC Limited. The group accounts of Infinity SDC Limited are available to the public and can be obtained as disclosed in note 18. The registered office address of the parent Company preparing consolidated accounts is Witan Gate House, 500 – 600 Witan Gate West, Milton Keynes, Buckinghamshire, MK9 1SH.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

1.1. Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard (FRS 101) 'Reduced Disclosure Framework' issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016. Accordingly, in the year ended 31 March 2016 the Company has changed its accounting framework from pre-2015 UK GAAP to FRS 101 and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements have been prepared in accordance with FRS 101.

As permitted by FRS 101, where relevant equivalent disclosures have been given in the group accounts of Infinity SDC Limited, the Company has taken advantage of the disclosure exemptions available under that standard in relation to non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

The prior year financial statements were restated for material adjustments on adoption of FRS 101 in the current year. For more information see note 2.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest thousand (£000), except when otherwise indicated.

The accounting policies as described below and in the respective notes have been used consistently for the financial year and for the comparative figures. The principal accounting policies are summarised below.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

1.2. Adoption of new and revised Standards

Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRIC 21 *Levies*

The Company has adopted IFRIC 21 *Levies* for the first time in the current year. IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Company's financial statements.

Annual Improvements to IFRSs: 2011-2013

The Company has adopted the various amendments to a number of standards. IFRS 3 *Business Combinations*, IFRS 13 *Fair Value Measurement* and IAS 40 *Investment Property*. The majority of the amendments are in the nature of clarifications rather than substantive changes to existing requirements.

1.3. Going concern

The directors have considered the risks and uncertainties disclosed in the Strategic Report for the Company and formed a judgement when approving these financial statements that there is a reasonable expectation based on the Company's forecasts and projections, and taking into account the fact that the parent company has also agreed to provide continued support, that the Company will have available adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis in preparing the annual financial statements.

1.4. Revenue

Revenues arise from the provision of data centre services utilising the Company's infrastructure assets, revenues represent the value of the services or goods supplied to customers during the year. Revenues exclude value added tax and other sales related taxes.

Where invoices are raised in advance for contracted services, the revenue is spread over the period of the service and deferred income is recognised on the balance sheet.

Revenue generated from installation services at the commencement of new contracts or from additional services is recognised over the term of the relevant customer contract.

Income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

1.5. Intangible assets

Computer software, classified as furniture, fittings and equipment in prior years is now classified as an intangible asset in line with IFRS requirements. The change in classification has been reflected in the 2016 accounts and restated in the 2015 and 2014 comparatives. Computer software is amortised on a straight line basis over the estimated useful life of the software, being between 2 and 3 years.

1.6. Property, plant and equipment

Property plant and equipment are stated at cost, net of depreciation and any provision for impairment. No depreciation is provided on assets in the course of construction. On other fixed assets, depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

- | | |
|-------------------------------------|----------------------------|
| • Long leasehold properties | over the life of the lease |
| • Leasehold improvements | over the life of the lease |
| • Furniture, fittings and equipment | between 3 and 10 years |
| • Plant and equipment | between 3 and 15 years |

Residual value is calculated on prices prevailing at the date of acquisition.

1.7. Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs of disposal 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 current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

1.8. Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as property, plant and equipment and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to profit or loss over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

The long leasehold data centre properties held under finance leases are held at historical cost on the balance sheet rather than at valuation.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the 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 another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.9. Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Company's financial assets at 31 March 2016 and 31 March 2015 were all classified as loans and receivables.

1.10. Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

1.11. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

1.12. Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

1.13. Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

1.14. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

1.15. Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. The Company's financial liabilities at 31 March 2016 and 31 March 2015 were all classified as other financial liabilities.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

1.16. Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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 through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

1.17. Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

1.18. Derivative financial instruments (SWAPs)

The Company enters into derivative financial instruments (SWAPs) to manage its exposure to interest rate risk on its bank borrowings. Further details of the derivative financial instruments (SWAPs) are disclosed in note 19.

Derivative financial instruments (SWAPs) are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative financial instrument (SWAP) is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivative financial instruments (SWAPs) as hedges of highly probable forecast transactions (cash flow hedges).

A derivative financial instrument (SWAP) with a positive fair value is recognised as a financial asset whereas a derivative financial instrument (SWAP) with a negative fair value is recognised as a financial liability. A derivative financial instrument (SWAP) is presented as a current asset due after one year or a creditor due after more than one year if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivative financial instruments (SWAPs) are presented as current assets or current liabilities.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

1.19. Hedge accounting

The Company designates certain derivative financial instruments (SWAPs), as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item.

Note 19 sets out details of the fair values of the derivative instruments used for hedging purposes.

Movements in the hedging reserve in equity are detailed in the statement of changes in equity.

1.20. Cash flow hedge

The effective portion of changes in the fair value of derivative financial instruments (SWAPs) that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of comprehensive income as the recognised hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

1.21. Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

1. Summary of significant accounting policies (continued)

1.22. Taxation

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. 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.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

1.23. Finance costs

Finance costs of financial liabilities are recognised in profit or loss over the term of such instruments at a constant rate on the carrying amount.

Finance costs which are directly attributable to the construction of property, plant and equipment are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

1.24. Bank borrowings

Interest-bearing bank loans are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

2. Adoption of FRS 101

This is the first year that the Company has presented its financial statements under FRS 101. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (pre-2015 UK GAAP) were for the year ended 31 March 2015 and the date of transition to FRS 101 was therefore 1 April 2014.

Reconciliation of equity

	31 March 2015 £'000	1 April 2014 £'000
Shareholders' funds as reported under previous UK GAAP	(26,492)	(21,088)
<i>Transition adjustments:</i>		
A. Property, plant and equipment	(1,473)	(1,697)
B. Inventories	(12)	-
C. Financial instruments	(1,815)	(204)
Shareholders' funds as reported under FRS 101	(29,792)	(22,989)

Reconciliation of total comprehensive income for the year ended 31 March 2015

	£'000
Loss for the year as reported under previous UK GAAP	(5,404)
<i>Transition adjustments:</i>	
A. Property, plant and equipment	224
B. Inventories	(12)
Loss for the year as reported under FRS 101	(5,192)
C. Financial instruments	(1,611)
Total comprehensive expense as reported under FRS 101	(6,803)

Notes to the reconciliations

A. Plant, property and equipment

At the date of transition the Company had recognised internally generated assets with a carrying value of £1,697,000 (2015: £1,473,000) that did not qualify for recognition under FRS 101. These assets, including associated depreciation have been reversed, resulting in changes to retained earnings and loss for the year ended 31 March 2015 and 31 March 2014.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

2. Adoption of FRS 101 (continued)

B. Inventories

At the date of transition inventories of £125,000 (2015: £120,000) met the recognition criteria of property, plant and equipment under FRS 101 and have been reclassified from inventories, with depreciation being applied from the date of transition.

C. Financial instruments

Under FRS 101 derivative financial instruments (SWAPs) are required to be measured at fair value and recognised on the balance sheet. The fair value of derivative financial instruments at the date of transition was a liability of £204,000 (2015: liability of £1,815,000). The balance sheet has been adjusted to include the derivative financial instrument (SWAPs), resulting in changes to retained earnings and comprehensive expenses.

3. Critical accounting judgements and key source of estimation uncertainty

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report.

The directors have a reasonable expectation based on the Company's forecasts and projections, and taking into account the fact that the parent company has also agreed to provide continued support, that the company will have available adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

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

Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget, covering the remaining life of the asset and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4. Employee information

The Company had no employees during the year ended 31 March 2016 (2015: nil).

5. Directors' remuneration

The directors received no remuneration for their services to the Company and were remunerated by another company (2015: nil).

6. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £13,000 (2015: £13,000).

7. Revenue

The total amounts reported as revenue in the statement of comprehensive income relate to the provision of ongoing data centre and ancillary services where the services are provided wholly within the United Kingdom.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

8. Expenses

The Company classifies its expenses, both cost of sales and other operating expenses, by operating nature into the following categories:

	Year ended	
	31 March 2016 £'000	31 March 2015 £'000
Power costs	871	760
Property costs	1,527	1,545
Other costs	2,104	5,864
	4,502	8,169
Depreciation and amortisation charges	6,114	5,162
	10,616	13,331

Power costs represent the total cost of power to the Company including environmental taxes. Property costs include rent payments, service charge and taxes in addition to ancillary property costs such as insurance. Other costs comprise operational maintenance costs, sales and administrative costs and cost of sales of services.

9. Finance income

	Year ended	
	31 March 2016 £'000	31 March 2015 £'000
Bank and other interest	8	8

10. Finance costs

	Year ended	
	31 March 2016 £'000	31 March 2015 £'000
Interest payable on loans	4,292	4,698
Interest payable on finance leases	2,638	3,277
Other finance charges	446	446
	7,376	8,421

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

11. Income tax expense

No taxation charge arose during the year. At 31 March 2016, there were approximately £25,477,000 (2015: £19,879,000) of tax losses available for set off against future profits, which may be carried forward indefinitely.

The tax charge for the year can be reconciled to the loss per the statement of comprehensive income as follows:

	Year ended	
	31 March 2016 £'000	31 March 2015 £'000
Loss before tax on continuing operations	(791)	(5,210)
Tax at the UK corporation tax rate of 20% (2015: 21%)	(158)	(1,094)
Tax effect of expenses that are not deductible in determining taxable profit	(85)	746
Re-measurement of deferred tax - change in tax rate	340	-
Group relief	80	-
Adjustments to tax charge in respect of prior periods	(647)	(18)
Movement in deferred tax not recognised	470	348
Tax for the year	-	(18)

No deferred tax asset or liability has been recognised in respect of trading losses or property, plant and equipment and intangible temporary differences due to the uncertainty of their realisation in the future.

	31 March 2016 £'000	31 March 2015 £'000
Temporary differences in property, plant and equipment and intangible assets	(1,525)	(1,385)
Tax losses not recognised	4,586	3,976
Total deferred tax asset not recognised	3,061	2,591

Reductions in the UK corporation tax rate were substantively enacted in the year. The main rate of corporation tax was reduced from 20 per cent to 19 per cent effective from 1 April 2017 and to 18 per cent effective from 1 April 2020. Deferred tax (not recognised) on temporary differences and tax losses as at the balance sheet date is calculated at the substantively enacted rates at which the temporary differences and tax losses are expected to reverse. A further reduction in the corporation tax rate to 17 per cent, rather than 18 per cent, effective from 1 April 2020 was announced in the 2016 Budget. However, this further rate reduction was not substantively enacted at the balance sheet date, so its effect is not reflected in these financial statements.

ISDC Developments (No2) Limited
Notes to the financial statements (continued)

12. Property, plant and equipment

	Leasehold properties	Leasehold improvements	Assets under construction	Plant and equipment	Furniture, fittings and equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2014	26,732	26,514	46	36,454	814	90,560
Additions	-	-	854	-	14	868
Transfers	-	12	(829)	755	62	-
Disposals	-	-	-	(5)	-	(5)
At 31 March 2015	26,732	26,526	71	37,204	890	91,423
Additions	21,094	-	345	-	-	21,439
Transfers	-	18	(347)	329	-	-
At 31 March 2016	47,826	26,544	69	37,533	890	112,862
At 1 April 2014	3,584	3,296	-	7,597	254	14,731
Charge for the year	894	1,285	-	2,852	119	5,150
At 31 March 2015	4,478	4,581	-	10,449	373	19,881
Charge for the year	1,738	1,287	-	2,967	118	6,110
At 31 March 2016	6,216	5,868	-	13,416	491	25,991
Net book value						
At 31 March 2016	41,610	20,676	69	24,117	399	86,871
At 31 March 2015	22,254	21,945	71	26,755	517	71,542
At 1 April 2014	23,148	23,218	46	28,857	560	75,829

Cumulative finance costs capitalised as part of the cost of bringing property, plant and equipment into use amount to £417,000 (2015: £417,000). Finance costs capitalised in the year in relation to assets classified as held for sale are £nil. Leasehold properties are the Company's interests in leased assets.

At the balance sheet date, the cost of data centre assets held for use by customers under operating leases was £111,972,000 (2015: £90,533,000) and the accumulated depreciation was £25,500,000 (2015: £19,508,000). The aggregate operating lease income recognised in revenue in the year in respect to these assets was £14,591,000 (2015: £14,163,000).

Property, plant and equipment with a carrying value of £45,261,000 (2015: £49,288,000) have been used as security for certain bank loans provided to the Company.

ISDC Developments (No2) Limited
Notes to the financial statements (continued)

13. Intangible assets

	Software licences with definite useful lives
	£'000
Cost	
At 1 April 2014	49
Additions	-
Transfers	-
At 31 March 2015	49
Additions	-
Transfers	-
At 31 March 2016	49
At 1 April 2014	33
Charge for the year	12
At 31 March 2015	45
Charge for the year	4
At 31 March 2016	49
Net book value	
At 31 March 2016	-
At 31 March 2015	4
At 1 April 2014	16

Software is amortised over its estimated useful life, which is between 2 and 3 years.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

14. Trade and other receivables

	31 March 2016 £'000	31 March 2015 £'000
Current		
Trade receivables	389	633
Accrued Income	1,797	22
Prepayments	114	1,177
Other debtors	-	161
Amounts due from group companies	-	4
	2,300	1,997
Non-current		
Accrued income	137	1,418
Rental deposits	379	379
	516	1,797

Trade and other receivables are measured at amortised cost less any provisions for impairment, the carrying amount is denominated in sterling and approximates to their fair values due to their short maturity period.

15. Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held on call with banks, all denominated in sterling.

16. Share capital and reserves

	31 March 2016 number	31 March 2015 number
Called up, allotted and fully paid		
Ordinary shares of £0.01 each	100	100

Ordinary shares carry rights to vote at general meetings and rights to dividends.

The directors do not recommend the payment of a dividend (2015: £nil).

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, consistent with the applicable accounting policy.

ISDC Developments (No2) Limited
Notes to the financial statements (continued)

17. Trade and other payables

	31 March 2016 £'000	31 March 2015 £'000
Trade payables	207	729
Accruals and sundry creditors	3,832	3,430
Amounts due to group companies	26,972	26,574
Taxation and social security	527	463
	31,538	31,196

Trade and other payables are measured at historical cost, which approximates to their fair values due to their short maturity period. The carrying amount of the Company's trade and other payables is denominated in sterling.

18. Interest bearing loans, borrowings and obligations under finance leases

	31 March 2016 £'000	31 March 2015 £'000
Current		
Obligations under finance leases	918	666
Term loan facilities	3,981	2,495
Total current	4,899	3,161
Non-current		
Obligations under finance leases	47,028	26,041
Term loan facilities	36,450	45,651
Total non-current	83,478	71,692
Total	88,377	74,853

Total term loan facilities include secured liabilities of £40,431,000 (2015: £48,146,000). Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. All borrowings are in pounds sterling. The Directors consider the carrying value of the borrowings to approximate to their fair values as they attract a market rate of interest.

The maturity profile of interest bearing loans, borrowings and obligations under finance leases is set out below:

	31 March 2016 £'000	31 March 2015 £'000
Company		
In one to five years	-	-
After five years	91,498	78,421
Gross borrowings	91,498	78,421
Less unamortised debt fees	(3,122)	(3,568)
Net borrowings	88,377	74,853

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

18. Interest bearing loans, borrowings and obligations under finance leases (continued)

Term loan facilities

The Company has loans at variable rates of interest. The Company uses derivative financial instruments (SWAPs) to manage its exposure to interest rate fluctuations. After taking account of the effect of the SWAPs, on average 99.3% (2015: 97.6%) of term loan facilities are at a fixed rate. The average interest rate on drawn term loan facilities after the effect of derivative financial instruments (SWAPs) was 9.2% (2015: 9.2%). The term loan facilities have a remaining term of 7.0 years (2015: 8.0 years).

Obligations under finance leases

Commitments in relation to finance leases are payable as follows:

	31 March 2016 £'000	31 March 2015 £'000
Within one year	3,409	1,971
In one to five years	14,691	8,511
After five years	84,808	53,246
Minimum lease payments	102,909	63,727
Future finance charges	(54,963)	(37,020)
Present value of lease obligations	47,946	26,707

The remaining lease term is 22 years (2015: 23 years).

19. Other non-current financial liabilities

In order to manage the Company's exposure to movements in LIBOR, the Company uses derivative financial instruments (SWAPs). Under these arrangements the Company pays interest at a fixed rate and receives interest at LIBOR. The amounts of interest paid and received are calculated on the nominal value of the derivative financial instruments (SWAPs).

At the year end the Company had the following contracts outstanding:

	Nominal value £'000	Maturity date	Fixed rate %	Fair value £'000
31 March 2016	44,155	5 April 2022	2.1	(1,985)
31 March 2015	47,674	5 April 2022	2.1	(1,815)

20. Capital commitments

Capital expenditure in respect of property plant and equipment that had been contracted for but not provided for in the financial statements at 31 March 2016 amounted to £nil (2015: £nil).

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

21. Financial commitments

Company as lessee:

Total future minimum lease payments under non-cancellable operating leases for land and buildings are as follows:

	31 March 2016 £'000	31 March 2015 £'000
Falling due:		
within one year	31	31
between two and five years	124	124
in more than five years	470	501
	625	656

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

The operating lease expense recognised in the statement of comprehensive income in the year was £31,000 (2015: £31,000).

Company as lessor:

During the year revenue generated from operating leases with customers of £14,591,000 (2015: £14,163,000), was recognised in the statement of comprehensive income. At the balance sheet date the Company had operating leases with customers with the following future minimum lease payments:

	31 March 2016 £'000	31 March 2015 £'000
Falling due:		
within one year	15,032	14,591
in one to five years	60,191	60,739
after five years	18,385	32,869
	93,608	108,199

22. Related parties

The Company has taken advantage of the exemption available under FRS 101, whereby it has not disclosed transactions with group companies.

23. Parent undertaking and ultimate controlling party

The Company's parent undertaking and ultimate controlling party is Infinity SDC Limited, which is incorporated in the United Kingdom. The group in which the results of the Company are consolidated, being the largest and smallest group of which the Company is part, is that headed by Infinity SDC Limited. Copies of the financial statements of that Group can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.