

**ISDC Developments (No2) Limited**  
**Report and financial statements**  
**31 March 2018**

Company registration no. 06501672



# **ISDC Developments (No2) Limited**

## **Contents**

Officers and professional advisers .....	3
Strategic report .....	4
Directors' report.....	5
Directors' responsibilities statement .....	7
Independent auditor's report.....	8
Statement of comprehensive income .....	11
Balance sheet .....	12
Statement of changes in equity.....	13
Statement of cash flows .....	14
Notes to the financial statements .....	15

## **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

Statutory Auditor

1 Station Square

Cambridge

CB1 2GA

## ISDC Developments (No2) Limited

### Strategic report

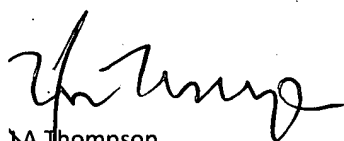
#### Business review

During the year revenue increased from £17.6 million to £18.5 million, however, the gross profit percentage decreased to 79% (2017: 85%) as a result of a provision release to cost of sales recognised in the prior year. As a result EBITDA\* has decreased to £14.4 million (2017: £14.8 million) and operating profit has decreased to £7.8 million (2017: £8.5 million).

Cash at 31 March 2018 was £8.5 million (2017: £8.2 million). There were £0.9 million (2017: £1.7 million) of additions to fixed assets and borrowings under term loan facilities reduced to £28.8 million (2017: £34.7 million) as a result of debt repayments offset by interest charged.

*\*EBITDA is operating profit/loss before depreciation and amortisation.*

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



J.A. Thompson  
Director

20 December 2018

## **ISDC Developments (No2) Limited**

### **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 March 2018.

#### **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 parent 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, this includes the directors of the Company.

#### **Dividends**

The directors do not propose the payment of a dividend (2017: £nil).

#### **Events after the balance sheet date**

On 28 November 2018 the Company repaid its outstanding senior secured debt and associated derivative financial instrument (SWAP) for £24.5 million.

#### **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.

## ISDC Developments (No2) Limited

### Directors' report (continued)

#### Principal risks and uncertainties, financial risk management objectives and policies

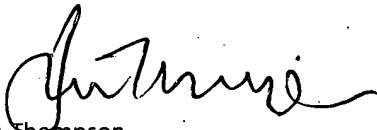
Note 24 contains disclosure of the financial risks applicable to the Company.

The main operational risks to the business are failure of critical infrastructure, resulting in customers losing power, cooling or connectivity, or a breach of security. In the event that either of these events were to occur this could potentially damage the Company's reputation and profitability. To mitigate such risks the business:

- designs and builds data centres with effective resilience and high security;
- employs experienced and competent security and maintenance staff; and
- ensures high operational standards through regular maintenance, monitoring and adherence to externally accredited operating procedures and certifications.

There is also a risk that the Company could be impacted by global economic and political uncertainties such as an uncertain Brexit process. The Board has no evidence to suggest that these uncertainties are affecting the Company's strategy or performance currently, but it continues to monitor developments closely and assesses all strategic and investment decisions with these risks in mind.

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



J A Thompson  
Director

20 December 2018

## **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 International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation. The financial statements have been prepared, as required by law, to 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion the financial statements of ISDC Developments (No2) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

##### **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, 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.

##### **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.

##### **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.



## **ISDC Developments (No2) Limited**

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

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.

#### **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.

#### **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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Report on other legal and regulatory requirements**

##### **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.

## **ISDC Developments (No2) Limited**

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

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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; 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.

We have nothing to report in respect of these matters.

#### **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.



Paul Adkins, FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Cambridge, United Kingdom

20 December 2018

# ISDC Developments (No2) Limited

## Statement of comprehensive income

		Year ended	
		31 March 2018 £'000	31 March 2017 £'000
	Notes		
Revenue		18,462	17,585
Cost of sales	8	(3,831)	(2,630)
<b>Gross profit</b>		<b>14,631</b>	<b>14,955</b>
<b>Operating expenses</b>			
Depreciation and amortisation	8	(6,613)	(6,309)
Other	8	(248)	(189)
<b>Operating profit</b>		<b>7,770</b>	<b>8,457</b>
Finance income	9	4	2
Finance costs	10	(6,159)	(6,553)
<b>Profit before tax from continuing operations</b>		<b>1,615</b>	<b>1,906</b>
Income tax	11	2,293	-
<b>Profit for the year from continuing operations</b>		<b>3,908</b>	<b>1,906</b>
<b>Other comprehensive expense</b>			
Item that may be reclassified subsequently to profit or loss:			
Movement on derivative financial instruments		1,252	236
<b>Total comprehensive income</b>		<b>5,160</b>	<b>2,142</b>

All activities derive from continuing operations.

The notes on pages 15 to 41 are an integral part of these financial statements.

# ISDC Developments (No2) Limited

## Balance sheet

		31 March 2018 £'000	31 March 2017 £'000
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment	12	76,520	82,217
Deferred tax asset	11	2,490	-
Trade and other receivables	14	566	484
		<b>79,576</b>	<b>82,701</b>
<b>Current assets</b>			
Trade and other receivables	14	732	707
Deferred tax asset	11	950	-
Cash and short-term deposits	15	8,506	8,202
		<b>10,188</b>	<b>8,909</b>
<b>Total assets</b>		<b>89,764</b>	<b>91,610</b>
<b>Equity</b>			
Issued share capital	16	-	-
Hedging reserve	16	(497)	(1,749)
Retained earnings	16	(22,954)	(26,862)
<b>Shareholders' deficit</b>		<b>(23,451)</b>	<b>(28,611)</b>
<b>Non-current liabilities</b>			
Interest-bearing loans, borrowings and obligations under finance leases	18	67,987	76,382
Other non-current financial liabilities	19	808	1,749
Deferred tax liability	11	1,147	-
Deferred revenue		1,813	2,339
		<b>71,755</b>	<b>80,470</b>
<b>Current liabilities</b>			
Trade and other payables	17	30,217	30,167
Interest-bearing loans, borrowings and obligations under finance leases	18	6,807	5,360
Deferred revenue		4,436	4,224
		<b>41,460</b>	<b>39,751</b>
<b>Total liabilities</b>		<b>113,215</b>	<b>120,221</b>
<b>Total equity and liabilities</b>		<b>89,764</b>	<b>91,610</b>

The notes on pages 15 to 41 are an integral part of these financial statements.

The financial statements of ISDC Developments (No2) Limited (registered number 06501672) were approved and authorised for issue by the board of directors on 20 December 2018 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 2016	-	(1,985)	(28,768)	(30,753)
Profit for the year	-	-	1,906	1,906
Movement on derivative financial instruments (note 19)	-	236	-	236
Total comprehensive income for the year ended 31 March 2017	-	236	1,906	2,142
At 1 April 2017	-	(1,749)	(26,862)	(28,611)
Profit for the year	-	-	3,908	3,908
Movement on derivative financial instruments (note 19)	-	1,252	-	1,252
Total comprehensive income for the year ended 31 March 2018	-	1,252	3,908	5,160
At 31 March 2018	-	(497)	(22,954)	(23,451)

## ISDC Developments (No2) Limited

### Statement of cash flows

		Year ended	
		31 March 2018 £'000	31 March 2017 £'000
	Notes		
<b>Cash inflow from operations</b>	20	<b>13,442</b>	13,556
Interest received		4	2
Interest paid	21	(3,156)	(3,749)
Interest element of finance lease payments	21	(2,497)	(2,492)
<b>Cash from operating activities</b>		<b>7,793</b>	7,317
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1,661)	(740)
<b>Cash used in investing activities</b>		<b>(1,661)</b>	(740)
<b>Cash flows after investing activities</b>		<b>6,132</b>	6,577
<b>Cash flows from financing activities</b>			
Net proceeds from related parties	21	1,367	91
Repayment of financing leases	21	(1,054)	(918)
Repayment of borrowings	21	(6,141)	(6,029)
<b>Net cash outflow from financing activities</b>		<b>(5,828)</b>	(6,856)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>304</b>	(279)
Cash and cash equivalents at beginning of year		8,202	8,481
<b>Cash and cash equivalents at end of year</b>		<b>8,506</b>	8,202

# **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.

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 financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union and therefore the Company financial statements comply with Article 4 of EU IAS Regulation.

The financial statements have been prepared on a historical cost basis, with the exception to the company's derivative financial instruments (SWAPs) note 19 which are recorded at fair value. The financial statements are presented in pounds sterling because the functional currency of the Company is considered to be 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.

#### **1.2. 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.

## **ISDC Developments (No2) Limited**

### **Notes to the financial statements (continued)**

#### **1. Summary of significant accounting policies (continued)**

##### **1.3. 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.

##### **1.4. Intangible assets**

Computer software is stated at cost, net of amortisation and any provision for impairment. Amortisation is provided at rates calculated to write off the cost, less the estimated residual value, of each asset on a straight line basis over its expected useful life. The estimated useful life of computer software is between 2 and 3 years.

##### **1.5. 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.



## **ISDC Developments (No2) Limited**

### **Notes to the financial statements (continued)**

#### **1. Summary of significant accounting policies (continued)**

##### **1.6. 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.

##### **1.7. 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.

## **ISDC Developments (No2) Limited**

### **Notes to the financial statements (continued)**

#### **1. Summary of significant accounting policies (continued)**

##### **1.8. 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 2018 and 31 March 2017 were all classified as loans and receivables.

##### **1.9. 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)**

##### **1.10. 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)**

##### **1.11. 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.

##### **1.12. 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.

##### **1.13. 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.

##### **1.14. Financial liabilities**

Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'other financial liabilities'. The Company's financial liabilities at 31 March 2018 and 31 March 2017 were all classified as other financial liabilities.

## **ISDC Developments (No2) Limited**

### **Notes to the financial statements (continued)**

#### **1. Summary of significant accounting policies (continued)**

##### **1.15. 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.

##### **1.16. 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.

##### **1.17. 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)**

##### **1.18. 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.

##### **1.19. 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.

##### **1.20. 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)**

##### **1.21. 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.

##### **1.22. 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.

##### **1.23. 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. Critical accounting judgements and key source of estimation uncertainty**

The preparation of the Company's financial statements requires management to make judgements, 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.

##### **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.

##### *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 judgement is required in establishing fair values. The judgements 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.



## **ISDC Developments (No2) Limited**

### **Notes to the financial statements (continued)**

#### **3. Adoption of new and revised standards**

##### **Amendments to IFRSs that mandatorily effective for the current year**

At the date of authorisation of these financial statements, The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective and had not yet been adopted by the EU:

- IFRS 9 "Financial Instruments"
- IFRS 15 "Revenue from Contracts with Customers"
- IFRS 16 "Leases"
- Amendments to IAS 7 "Statement of Cash Flows"
- Amendments to IAS 12 "Income Taxes"
- Amendments to IFRS 2 "Share Based Payments"

The directors are yet to fully assess the full impact of IFRS 16 "Leases" which requires lessees to recognise assets and liabilities unless the lease is 12 months or less or the underlying asset has a low value. A number of leases currently accounted for as operating leases are expected to be recognised as assets with a corresponding liability under IFRS 16.

The directors are yet to fully assess the full impact of IFRS 15 "Revenue from Contracts with Customers" which requires revenue to be recognised in line with performance obligations.

The directors do not expect that the adoption of the other Standards listed above will have a material impact on the financial statements of the Company in future periods.

#### **4. Employee information**

The Company had no employees during the year ended 31 March 2018 (2017: nil).

#### **5. Directors' remuneration**

The directors received no remuneration for their services to the Company and were remunerated by another company (2017: nil).

#### **6. Auditor's remuneration**

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £18,000 (2017: £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 2018 £'000	31 March 2017 £'000
Power costs	1,063	857
Staff and staff related-costs	7	5
Property costs	813	(145)
Other costs	2,196	2,102
	4,079	2,819
Depreciation and amortisation charges	6,613	6,309
<b>Total expenses</b>	<b>10,692</b>	<b>9,128</b>

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 2018 £'000	31 March 2017 £'000
Bank and other interest	4	2

#### 10. Finance costs

	Year ended	
	31 March 2018 £'000	31 March 2017 £'000
Interest payable on loans	3,024	3,622
Interest payable on finance leases	2,490	2,485
Other finance charges	446	446
Loss from movement of ineffective portion of cash flow hedge	199	-
	6,159	6,553

## ISDC Developments (No2) Limited

### Notes to the financial statements (continued)

#### 11. Income tax

A tax credit of £2,293,000 arose during the year as a result of the recognition of a deferred tax asset for the Company's unused losses and a deferred tax liability for temporary differences in tangible and intangible assets. At 31 March 2018, there were approximately £19,056,000 (2017: £20,812,000) of tax losses available for set off against future profits, which may be carried forward indefinitely.

	Year ended	
	31 March 2018 £'000	31 March 2017 £'000
<b>Current tax</b>		
In respect of the current year	-	-
<b>Deferred tax</b>		
In respect of current year	2,293	-
	<b>2,293</b>	-
<b>Tax credit for the year</b>	<b>2,293</b>	-

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

	Year ended	
	31 March 2018 £'000	31 March 2017 £'000
Profit before tax on continuing operations	1,615	1,906
Tax at the UK corporation tax rate of 19% (2017: 20%)	(307)	(381)
Tax effect of expenses that are not deductible in determining taxable profit	(202)	(185)
Movement in deferred tax not recognised	1,875	668
Group relief not paid for	752	-
Adjustments to tax charge in respect of prior periods	-	(18)
Re-measurement of deferred tax - change in rate	175	(84)
<b>Tax credit for the year</b>	<b>2,293</b>	-

Deferred tax assets and liabilities have been recognised as follows:

	Accelerated capital allowances £'000	Tax losses £'000	Total £'000
At 1 April 2016 and 1 April 2017	-	-	-
Credit/(charge) to the income statement	(1,147)	3,440	2,293
<b>At 31 March 2018</b>	<b>(1,147)</b>	<b>3,440</b>	<b>2,293</b>

# ISDC Developments (No2) Limited

## Notes to the financial statements (continued)

### 11. Income tax (continued)

Reflected in the Balance sheet as follows:

	Accelerated capital allowances	Tax losses	Total
	£'000	£'000	£'000
Deferred tax asset	-	3,440	3,440
Deferred tax liability	(1,147)	-	(1,147)
	<b>(1,147)</b>	<b>3,440</b>	<b>2,293</b>

No deferred tax asset has been recognised for interest to be deducted in future periods due to the uncertainty of its realisation in the future.

	31 March 2018	31 March 2017
	£'000	£'000
Temporary differences in tangible and intangible assets	-	(1,145)
Interest to be deducted in future periods	518	-
Tax losses not recognised	-	3,538
<b>Total deferred tax asset not recognised</b>	<b>518</b>	<b>2,393</b>

Reductions in the UK corporation tax rate were substantively enacted in the prior year. The main rate of corporation tax was reduced from 20 per cent to 19 per cent effective from 1 April 2017 and to 17 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.

**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
<b>Cost</b>						
<b>At 1 April 2016</b>	<b>47,826</b>	<b>26,544</b>	<b>69</b>	<b>37,533</b>	<b>890</b>	<b>112,862</b>
Additions	-	-	1,655	-	-	1,655
Transfers	-	-	(387)	315	72	-
Disposals	-	-	-	(131)	(6)	(137)
<b>At 31 March 2017</b>	<b>47,826</b>	<b>26,544</b>	<b>1,337</b>	<b>37,717</b>	<b>956</b>	<b>114,380</b>
Additions	-	-	868	-	-	868
Transfers	-	-	(2,005)	2,005	-	-
Transfer from group undertakings	-	-	-	144	-	144
Disposals	-	-	-	(184)	-	(184)
<b>At 31 March 2018</b>	<b>47,826</b>	<b>26,544</b>	<b>200</b>	<b>39,682</b>	<b>956</b>	<b>115,208</b>
<b>Accumulated depreciation</b>						
<b>At 1 April 2016</b>	<b>6,216</b>	<b>5,868</b>	<b>-</b>	<b>13,416</b>	<b>491</b>	<b>25,991</b>
Charge for the year	1,891	1,287	-	3,019	112	6,309
Disposals	-	-	-	(131)	(6)	(137)
<b>At 31 March 2017</b>	<b>8,107</b>	<b>7,155</b>	<b>-</b>	<b>16,304</b>	<b>597</b>	<b>32,163</b>
Charge for the year	1,892	1,287	-	3,337	97	6,613
Transfer from group undertakings	-	-	-	96	-	96
Disposals	-	-	-	(184)	-	(184)
<b>At 31 March 2018</b>	<b>9,999</b>	<b>8,442</b>	<b>-</b>	<b>19,553</b>	<b>694</b>	<b>38,688</b>
<b>Net book value</b>						
<b>At 31 March 2018</b>	<b>37,827</b>	<b>18,102</b>	<b>200</b>	<b>20,129</b>	<b>262</b>	<b>76,520</b>
<b>At 31 March 2017</b>	<b>39,719</b>	<b>19,389</b>	<b>1,337</b>	<b>21,413</b>	<b>359</b>	<b>82,217</b>
Leased assets included above:						
<b>Net book value</b>						
<b>At 31 March 2018</b>	<b>37,827</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19</b>	<b>37,846</b>
<b>At 31 March 2017</b>	<b>39,719</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,719</b>

## ISDC Developments (No2) Limited

### Notes to the financial statements (continued)

#### 12. Property, plant and equipment (continued)

Cumulative finance costs capitalised as part of the cost of bringing property, plant and equipment into use amount to £417,000 (2017: £417,000). 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 £114,252,000 (2017: £113,424,000) and the accumulated depreciation was £37,994,000 (2017: £31,566,000). The aggregate income from contracts containing operating leases recognised in revenue in the year in respect to these assets was £15,729,000 (2017: £15,032,000).

Property, plant and equipment with a carrying value of £38,674,000 (2017: £42,498,000) have been used as security for certain bank loans provided to the Company.

#### 13. Intangible assets

	Software licences with definite useful lives £'000
<b>Cost</b>	
At 1 April 2016	28
At 31 March 2017	28
At 31 March 2018	28
<b>Accumulated amortisation</b>	
At 1 April 2016	28
At 31 March 2017	28
At 31 March 2018	28
<b>Net book value</b>	
At 31 March 2018	-
At 31 March 2017	-

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 2018 £'000	31 March 2017 £'000
<b>Current</b>		
Trade receivables	466	259
Accrued income	128	340
Prepayments	138	108
	<b>732</b>	<b>707</b>
<b>Non-current</b>		
Accrued income	185	105
Rental deposits	381	379
	<b>566</b>	<b>484</b>

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. The credit quality of trade receivables is considered in note 25.

#### 15. Cash and cash equivalents

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

The Directors consider the carrying values of the cash balances to approximate to their fair value due to their short maturity period and the interest rate that they bear. The Directors consider the banks with which the Company holds deposits to be of sound credit quality.

#### 16. Share capital and reserves

	31 March 2018 number	31 March 2017 number
<b>Authorised, called up, allotted and fully paid</b>		
Ordinary shares of £0.01 each	100	100
	<b>100</b>	<b>100</b>

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

The directors do not recommend the payment of a dividend (2017: £nil).

Retained earnings represents cumulative profits or losses, net of dividends paid and other adjustments.

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 2018 £'000	31 March 2017 £'000
Trade payables	387	245
Accruals and sundry creditors	971	2,297
Taxation and social security	437	562
Amounts owed to group companies	28,422	27,063
	<b>30,217</b>	<b>30,167</b>

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

Interest-bearing loans and overdrafts are recorded at 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 rate 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.

Leasing agreements that transfer to the Company substantially all the benefits and risks of ownership of an asset are classified as a finance lease. These assets are included in property, plant and equipment and the capital element of the leasing commitments is shown within obligations under finance leases. The lease payments are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to profit or loss in proportion to the reducing capital outstanding.

	31 March 2018 £'000	31 March 2017 £'000
<b>Current</b>		
Obligations under finance leases	1,144	1,020
Term loan facilities	5,663	4,340
<b>Total current</b>	<b>6,807</b>	<b>5,360</b>
<b>Non-current</b>		
Obligations under finance leases	44,883	46,008
Term loan facilities	23,104	30,374
<b>Total non-current</b>	<b>67,987</b>	<b>76,382</b>
<b>Total</b>	<b>74,794</b>	<b>81,742</b>

Total term loan facilities include secured liabilities of £28,767,000 (2017: £34,714,000). Finance 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.



## ISDC Developments (No2) Limited

### Notes to the financial statements (continued)

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

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

	31 March 2018 £'000	31 March 2017 £'000
<b>Company</b>		
Within one year	19	-
In one to five years	30,995	-
After five years	46,009	84,417
Gross	77,023	84,417
Less unamortised debt fees	(2,229)	(2,675)
<b>Net</b>	<b>74,794</b>	<b>81,742</b>

#### 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 100% (2017: 100%) 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% (2017: 9.2%). The term loan facilities have a remaining term of 4.0 years (2017: 5.0 years).

#### Obligations under finance leases

Commitments in relation to finance leases are payable as follows:

	31 March 2018 £'000	31 March 2017 £'000
Within one year	3,637	3,512
In one to five years	15,586	15,132
After five years	76,785	80,856
Minimum lease payments	96,008	99,500
Future finance charges	(49,981)	(52,472)
<b>Present value of lease obligations</b>	<b>46,027</b>	<b>47,028</b>

The remaining lease term is 20 years (2017: 21 years). At the end of the lease term a reversionary lease will commence for a period of 7 years, lease payments for the additional 7 years under the reversionary lease total £49,921,000.

## ISDC Developments (No2) Limited

### Notes to the financial statements (continued)

#### 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 2018	31,336	5 April 2022	2.1	(808)
31 March 2017	35,744	5 April 2022	2.1	(1,749)

A reconciliation of the movement in the fair value of the entity's derivative financial instruments (SWAPs) is shown below:

	31 March 2018 £'000	31 March 2017 £'000
Opening fair value	(1,749)	(1,985)
Credited to comprehensive expense	1,252	236
Charged to the income statement	(311)	-
<b>Closing fair value</b>	<b>(808)</b>	<b>(1,749)</b>

All derivative financial instrument (SWAP) contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges to reduce the Entity's cash flow exposure resulting from variable interest rates on bank borrowings. The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the interest rate swaps.

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)

### 20. Cash generated from operations

The reconciliation of profit for the year to net cash inflow from operating activities is as follows:

	Notes	31 March 2018 £'000	31 March 2017 £'000
Profit for the year before tax		1,615	1,906
Adjusted for:			
finance costs	10	6,159	6,553
finance income	9	(4)	(2)
depreciation charge	8	6,613	6,309
Changes in working capital:			
(increase)/decrease in trade and other receivables		(107)	1,625
decrease in trade and other payables		(520)	(2,377)
decrease in deferred revenue		(314)	(458)
<b>Net cash inflow from operations</b>		<b>13,442</b>	<b>13,556</b>

#### Non-cash transactions

The principal non-cash transactions were depreciation and interest accrued on borrowings.

### 21. Cash used in financing activities

	Interest bearing loans	Finance lease obligations	Amounts owed to group companies
1 April 2016	40,431	47,946	26,972
Non-cash movements	4,061	2,492	-
Interest paid	(3,749)	(2,492)	-
Capital repaid	(6,029)	(918)	-
Net proceeds from related parties	-	-	91
31 March 2017	34,714	47,028	27,063
Non-cash movements	3,350	2,550	-
Interest paid	(3,156)	(2,497)	-
Capital repaid	(6,141)	(1,054)	-
Net proceeds from related parties	-	-	1,367
Payment for property, plant and equipment	-	-	(8)
31 March 2018	28,767	46,027	28,422

## ISDC Developments (No2) Limited

### Notes to the financial statements (continued)

#### 22. 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 2018 amounted to £nil (2017: £573,000).

#### 23. Financial commitments

##### Company as lessee:

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

	31 March 2018 £'000	31 March 2017 £'000
Falling due:		
Within one year	31	31
In one to five years	124	124
After five years	408	439
	<b>563</b>	<b>594</b>

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 (2017: £31,000).

##### Company as lessor:

During the year revenue from contracts containing operating leases with customers of £15,729,000 (2017: £15,032,000), was recognised in the statement of comprehensive income. At the balance sheet date the Company had contracts containing operating leases with customers with the following future minimum lease payments:

	31 March 2018 £'000	31 March 2017 £'000
Falling due:		
within one year	16,199	15,833
between two and five years	44,197	61,469
in more than five years	1,041	3,697
	<b>61,437</b>	<b>80,999</b>

## **ISDC Developments (No2) Limited**

### **Notes to the financial statements (continued)**

#### **24. Financial instruments**

IFRS 7 requires certain disclosures in respect of financial instruments. The key disclosures in respect of debt maturity, interest rate exposure and derivative financial instruments (SWAPs) are dealt with in notes 18 and 19. The further disclosures required by IFRS 7 are given below.

##### **Financial risk management**

The Company's objectives, policies and processes for managing financial risk and the methods used to measure them are disclosed below. Further quantitative information in respect of these risks is presented throughout these financial statements. There have been no significant changes in the Company's exposure to risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods.

The Company is subject through its operations to the following principal financial risks:

- Credit risk
- Market risk
- Liquidity risk

##### ***Credit risk***

Credit risk is the potential impairment of the Company's financial assets as a result of a customer or counterparty to a financial instrument or contract failing to meet their contractual obligations under that instrument or contract. The Company's principal financial assets are bank balances and trade and other receivables.

To mitigate the risk, it is Company policy to only use large independently rated banks and financial institutions for transactional banking and holding deposits, with new customers being subject to credit checks prior to entering into contracts with them. Further disclosure regarding trade and other receivables are included in note 25.

## ISDC Developments (No2) Limited

### Notes to the financial statements (continued)

#### 24. Financial instruments (continued)

##### *Market risk*

Market risk is the risk that movements in a specific market will impact the future cash flows of a financial instrument causing a financial loss to the Company. Market risk arises in the Company's use of variable interest rate bank borrowings (interest rate risk).

The Company is funded through a mixture of operating cash flows, external bank borrowings and parent company support. External bank borrowings are at floating rates of interest. The Company uses derivative financial instruments (SWAPs) to mitigate the exposure to variable interest rates. The effectiveness of the derivative financial instruments (SWAPs) is disclosed in note 18.

##### *Liquidity risk*

Liquidity risk is the risk that the Company does not have sufficient funds to meet its financial liabilities as they fall due.

The Company is supported by its parent company whose finance function monitor its rolling forecasts to ensure it has sufficient cash to meet operational, capital investment and debt servicing needs. Cash flow forecasts are regularly prepared and reviewed.

The following table sets out the undiscounted contractual cash flows in respect of financial liabilities from continuing operations.

	Less than one year £'000	Between one and five years £'000	Greater than five years £'000
<b>At 31 March 2018</b>			
Trade payables	387	-	-
Amounts owed to group companies	28,422	-	-
Interest bearing loans	8,111	29,149	-
Derivative financial instruments (SWAPs)	447	888	-
	<b>37,367</b>	<b>30,037</b>	<b>-</b>
	Less than one year £'000	Between one and five years £'000	Greater than five years £'000
<b>At 31 March 2017</b>			
Trade payables	245	-	-
Amounts owed to group companies	27,063	-	-
Interest bearing loans	7,264	22,744	16,830
Derivative financial instruments (SWAPs)	601	1,496	49
	<b>35,173</b>	<b>24,240</b>	<b>16,879</b>

## ISDC Developments (No2) Limited

### Notes to the financial statements (continued)

#### 24. Financial instruments (continued)

##### Fair value measurements

IFRS 7 requires the disclosure of fair value measurements by level using the following hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's financial instruments that are measured at fair value.

##### 31 March 2018

	Level 1	Level 2	Level 3	Total
<b>Liabilities</b>				
Derivative financial instruments (note 19)	-	808	-	808

##### 31 March 2017

	Level 1	Level 2	Level 3	Total
<b>Liabilities</b>				
Derivative financial instruments (note 19)	-	1,749	-	1,749

## ISDC Developments (No2) Limited

### Notes to the financial statements (continued)

#### 24. Financial instruments (continued)

##### Carrying value

The carrying value of the Company's financial assets and liabilities from continuing operations at the year-end is shown below:

	Note	31 March 2018 £'000	31 March 2017 £'000
<b>Financial assets</b>			
trade receivables	14	466	259
accrued income	14	313	445
cash and cash equivalents	15	8,506	8,202
<b>Total financial assets</b>		<b>9,285</b>	<b>8,906</b>
		31 March 2018 £'000	31 March 2017 £'000
<b>Financial liabilities</b>			
At amortised cost:			
trade payables	17	387	245
amounts owed to group companies	17	28,422	27,063
loans	18	28,767	34,714
At fair value:			
derivative financial instruments (SWAPs)	19	808	1,749
<b>Total financial liabilities</b>		<b>58,384</b>	<b>63,771</b>

#### 25. Trade receivables impairment disclosures

Through effective credit control procedures, the Company mitigates its exposure to the risk of bad debt. The following disclosures are in respect of trade receivables that are overdue. The credit quality of the remaining trade receivables is considered good.

Included within the trade receivables is an amount of £35,000 (2017: £1,000) in respect of amounts which are overdue. These relate to customers for whom there is considered to be little risk of default and therefore no impairment has been made. The ageing analysis of these amounts is shown below:

	31 March 2018 £'000	31 March 2017 £'000
<b>Period overdue</b>		
Up to 1 month	15	1
1 to 3 months	13	-
3 to 6 months	-	-
More than 6 months	7	-
<b>Total</b>	<b>35</b>	<b>1</b>

The Company holds cash deposits of £519,000 (2017: £519,000) as security against trade receivables.



## ISDC Developments (No2) Limited

### Notes to the financial statements (continued)

#### 26. Related parties

The Company's parent company is Infinity SDC Limited, transactions and balances with the parent company have arisen from the transfer to or from the parent company of funding and for the purchase of services. Transactions and balances with other subsidiaries of Infinity SDC Limited are for the purchase of services. Balances with related party companies are repayable upon demand and no interest is charged.

Balances and transactions between the Company and its parent company and the parent company's subsidiaries are as follows:

	31 March 2018 £'000	31 March 2017 £'000
Balances with related party companies		
Parent company	(28,422)	(21,500)
Parent company subsidiaries	-	(5,563)
Transactions with related party companies		
Parent company	(6,922)	(199)
Parent company subsidiaries	5,563	108

The remuneration of the directors, who are the key management personnel of the Company is paid by another group company.

#### 27. Events after the reporting period

On 28 November 2018 the Company repaid its outstanding senior secured debt and associated derivative financial instrument (SWAP) for £24,474,000.

#### 28. 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, Witan Gate House, 500 - 600 Witan Gate West, Milton Keynes, Buckinghamshire, MK9 1SH. Copies of the financial statements of that Group can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.