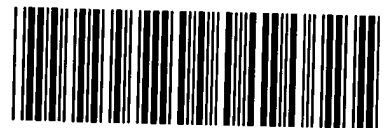


ISDC Developments (No2) Limited
Report and financial statements
31 March 2021

Company registration no. 06501672

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ISDC Developments (No2) Limited

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ISDC Developments (No2) Limited

Officers and professional advisers

Directors

S Sutton

J A Thompson

Registered Office

100 Avebury Boulevard

Milton Keynes

MK9 1FH

United Kingdom

Solicitors

Taylor Wessing LLP

5 New Street Square

London

EC4A 3TW

United Kingdom

Auditor

Deloitte LLP

Statutory Auditor

1 Station Square

Cambridge

CB1 2GA

United Kingdom

ISDC Developments (No2) Limited

Strategic report

The strategic report has been prepared in terms of Section 414C of the Companies Act 2006.

Business review

The Key Performance Indicators (KPIs) used by management are:

	2021	2020
Revenue (£'m)	£12.1m	£17.1m
Gross Profit (%)	65%	76%
Operating expenses* (£'m)	£3.3m	£3.4m

** excluding depreciation and amortisation*

During the year revenue decreased from £17.1 million to £12.1 million and the gross profit percentage decreased from 76% to 65% resulting in a decrease in gross profit from £13.0 million to £7.9 million, following the renegotiation and extension of a major customer contract on terms that reflect current market rates. Operating expenses remained consistent at £3.3million (2020: £3.4million). Consequently EBITDA† has decreased to £4.6 million (2020: £9.6 million) and operating profit has decreased to a loss of £1.9 million (2020: profit of £3.1 million).

Cash at 31 March 2021 was £0.1 million (2020: £0.1 million). Cash generated from operating activities in the year totalled £2.1 million (2020: £4.5 million), £1.4 million (2020: £0.5 million) was invested in operating assets and £0.8 million was repaid to related parties (2020: £4.7 million paid). The Company also made capital and interest repayments in respect of property leases of £3.9 million (2020: £3.7 million).

†EBITDA is operating profit/loss before depreciation and amortisation

Since the start of 2020, the world has been in the middle of a global COVID-19 pandemic. This has had a significant destabilising impact on the world's economy, global supply chain and society in general. The data centre market has however, remained resilient to the impact of COVID-19 as a result of a move to greater home working and entertainment requiring greater connectivity and data storage maintaining demand for data centre capacity. Consequently, the business has not been materially impacted by the pandemic.

The business has implemented additional processes and procedures to manage the impact of the pandemic on our operations and supply chain. Cashflows have remained in line with established trading terms, with our customers continuing to make payments on time.

During the year we have seen the Brexit process complete, this has similarly not significantly impacted market conditions for data centre capacity and the business has remained stable throughout the process.

Future Developments

The data centre market is now firmly dominated by global public cloud providers, who account for circa 80% of demand in the UK market. In light of this and continued market uncertainty arising from the COVID-19 situation, the Brexit process and the conflict in Ukraine, the Directors have maintained their position of not speculatively fitting out data centre capacity at its facilities and to only fit out to customer order.

The strategic report does not contain information on environmental matters, the Company's employees, or social community and human rights issues as such information is not considered necessary for an understanding the Company's business operations.

ISDC Developments (No2) Limited

Strategic report (continued)

Principal risks and uncertainties, financial risk management objectives and policies

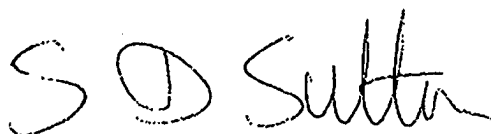
Note 23 contains disclosure of the financial risks applicable to the Company.

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 COVID-19 and the impact of leaving the European Union. The Board has no evidence to suggest 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 by

A handwritten signature in black ink, appearing to read 'S Sutton', with a stylized 'S' and 'D' at the beginning.

S Sutton

Director

24 June 2022

ISDC Developments (No2) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2021.

Principal activities

The principal activities of the Company continue to be the provision of data centre and ancillary services. Future developments of the Company are detailed in the strategic report.

Going concern

The directors have considered the risks and uncertainties disclosed in the Strategic Report for the Company including the global COVID-19 pandemic and formed a judgement when approving these financial statements that there is a reasonable expectation based on the Company's forecasts and projections that the Company will have available adequate resources to continue in operational existence for the foreseeable future, which is at least 12 months from the approval of the financial statements. This is reliant on a letter of support received from the parent company, Infinity SDC Ltd, which pledges support to the Company such that it is able to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements. However, on 23 June 2022, Infinity SDC Limited (the Company's parent and ultimate controlling party) entered into an agreement for the sale of the entire share capital of the company. As at the time of signing the financial statements there is no guarantee the sale will complete, but should there be a change in ownership within the next 12 months, this would result in the letter of support received from the parent company no longer being relied upon. As such a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern such that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the material uncertainty set out above, on the basis of the forecast position of the Company and the letter of support received, the Directors have a reasonable expectation that the Company will continue in operational existence for at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and 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.

Financial risk management objectives

Information about the use of financial instruments by the company is given in note 23 to the financial statements.

Dividends

The directors do not propose the payment of a dividend and have not made an interim dividend payment (2020: £nil).

ISDC Developments (No2) Limited

Directors' report (continued)

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.

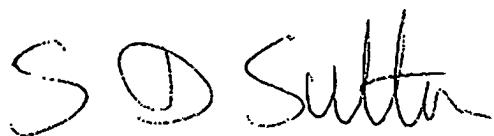
Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting.

Events subsequent to the balance sheet date

On 23 June 2022, Infinity SDC Limited (the Company's parent and ultimate controlling party), entered into an agreement to sell 100% of the Company's share capital. When the sale completes the current directors will resign and new directors will be appointed.

The global COVID-19 pandemic has continued since the year end and a conflict has commenced in Ukraine. The Strategic Report outlines the Company's response to the impact of the pandemic on its business operations. The Company has not seen a significant impact upon its operations or cash flows as a result of COVID-19 or the conflict in Ukraine since the year end.

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

A handwritten signature in black ink, appearing to read 'S Sutton', written over a horizontal line.

S Sutton

Director, 24 June 2022

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 are required to prepare the company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, 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 entity'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 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 27.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

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.

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which indicates that should a change in ownership of the Company occur in the next 12 months the letter of support received from the parent company could no longer be relied upon. As stated in note 2.2., these events or conditions, along with the other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

ISDC Developments (No2) Limited

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

Other information

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

ISDC Developments (No2) Limited

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

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included data protection regulations.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in relation to the cut-off of revenue in respect to the early recognition of data centre service revenue at the year-end. We have obtained a breakdown of revenue recognised for a determined risk period both pre and post year-end and test of detail procedures were performed by agreeing a representative sample through to relevant supporting evidence.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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

24 June 2022

ISDC Developments (No2) Limited

Statement of comprehensive income

for the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Revenue	7	12,116	17,085
Cost of sales	8	(4,233)	(4,072)
Gross profit		7,883	13,013
Operating expenses			
Depreciation and amortisation	8	(6,450)	(6,499)
Other	8	(3,317)	(3,373)
Operating (loss)/profit		(1,884)	3,141
Finance income	9	7	2
Finance costs	10	(4,208)	(4,189)
Loss before tax		(6,085)	(1,046)
Income tax	11	-	-
Loss for the year and total comprehensive expense		(6,085)	(1,046)

All activities derive from continuing operations.

There were no items of other comprehensive income in the year and therefore no separate statement of comprehensive income is required.

The notes on pages 17 to 42 are an integral part of these financial statements.

ISDC Developments (No2) Limited

Balance sheet

at 31 March 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Property, plant and equipment	12	71,911	77,172
Deferred tax asset	11	65	344
Trade and other receivables	14	49	184
		72,025	77,700
Current assets			
Trade and other receivables	14	5,613	1,293
Cash and short-term deposits	15	127	127
		5,740	1,420
Total assets		77,765	79,120
Equity			
Issued share capital	16	-	-
Retained losses		(35,610)	(29,525)
Shareholders' deficit		(35,610)	(29,525)
Non-current liabilities			
Lease liabilities	18	58,566	58,222
Deferred tax liability	11	65	344
Deferred revenue		160	720
		58,791	59,286
Current liabilities			
Trade and other payables	17	51,648	45,373
Lease liabilities	18	10	7
Deferred revenue		2,926	3,979
		54,584	49,359
Total liabilities		113,375	108,645
Total equity and liabilities		77,765	79,120

The notes on pages 17 to 42 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 24 June 2022 and were signed on its behalf by.



J A Thompson
Director
24 June 2022

ISDC Developments (No2) Limited

Statement of changes in equity

for the year ended 31 March 2021

	Issued share capital £'000	Retained losses £'000	Total equity £'000
At 1 April 2019	-	(28,479)	(28,479)
Loss and total comprehensive expense for the year ended 31 March 2020	-	(1,046)	(1,046)
At 31 March 2020	-	(29,525)	(29,525)
Loss and total comprehensive expense for the year ended 31 March 2021	-	(6,085)	(6,085)
At 31 March 2021	-	(35,610)	(35,610)

ISDC Developments (No2) Limited

Statement of cash flows

for the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Cash inflow from operations	19	5,984	8,272
Interest received		7	2
Interest element of lease payment	20	(3,854)	(3,741)
Cash from operating activities		2,137	4,533
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles		(1,371)	(538)
Cash used in investing activities		(1,371)	(538)
Cash flows after investing activities		766	3,995
Cash flows from financing activities			
Net payments to related parties	20	(759)	(4,742)
Repayment of lease principal	20	(7)	(6)
Net cash outflow from financing activities		(766)	(4,748)
Net decrease in cash and cash equivalents		-	(753)
Cash and cash equivalents at beginning of year		127	880
Cash and cash equivalents at end of year	15	127	127

ISDC Developments (No2) Limited

Notes to the financial statements

1. Adoption of new and revised standards

Amendments to IFRS standards and interpretations

The Company considered the following amendments to published standards that are effective for the Company for the financial year beginning 1 April 2020 and concluded that they are either not relevant to the Company or they do not have a significant impact on the Company's financial statements other than disclosures.

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 - Definition of a business
- Amendments to IAS 1 and IAS 8 - Definition of material
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform

Standards and revisions effective for future periods:

The following standards and revisions will be effective for future periods:

- Amendments to IFRS 16 - Covid-19 related rent concessions
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest rate benchmark reform phase 2
- Amendments to IFRS 16 - Covid-19 related rent concession beyond 30 June 2021
- Amendments to IAS 16 - Property, plant and equipment - Proceeds before intended use
- Annual improvements to IFRS standards 2018 - 2020
- Amendments to IFRS 3 - Reference to the conceptual framework
- Amendments to IAS 37 - Onerous contract - cost of fulfilling a contract
- Amendments to IFRS 17 - Insurance contracts
- Amendments to IAS 1 - Classification of liabilities as current or non-current
- Amendments to IFRS 4 - Extension of the temporary exemption from applying IFRS 9
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of accounting policies
- Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to IAS 8 - Definition of accounting estimates

The company has considered the impact of the remaining above standards and revisions and have concluded that, they will not have a significant impact on the Company's financial statements.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

2. 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 and the Directors' report on page 6.

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.

2.1. Basis of preparation

The financial statements of the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on a historical cost basis. The financial statements are presented in pounds sterling as the functional currency of the Company is considered to be pounds sterling as 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.

2.2. Going concern

The directors have considered the risks and uncertainties disclosed in the Strategic Report for the Company including the global COVID-19 pandemic and formed a judgement when approving these financial statements that there is a reasonable expectation based on the Company's forecasts and projections that the Company will have available adequate resources to continue in operational existence for the foreseeable future, which is at least 12 months from the approval of the financial statements. This is reliant on a letter of support received from the parent company, Infinity SDC Limited, which pledges support to the Company such that it is able to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements. However, on 23 June 2022, Infinity SDC Limited (the Company's parent and ultimate controlling party) entered into an agreement for the sale of the entire share capital of the company. As at the time of signing the financial statements there is no guarantee the sale will complete, but should there be a change in ownership within the next 12 months, this would result in the letter of support received from the parent company no longer being relied upon. As such a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern such that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the material uncertainty set out above, on the basis of the forecast position of the Company and the letter of support received, the Directors have a reasonable expectation that the Company will continue in operational existence for at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.3. Revenue

The Company recognises revenues from the following major sources:

- Data centre services
- Installation fees, including the initial set-up and ongoing servicing of customers
- Utility recharges

Data centre services

Data centre services are provided to customers under fixed term contracts, under which customers receive a continuous supply of data centre services over the term of the contract. Revenue is recognised over time in line with the satisfaction of the performance obligations. Rent free periods are a discount to the customer contract, this discount recognised evenly over the term of the contract. Customers are typically invoiced in advance on a monthly or quarterly basis.

Revenue from data centre services includes lease income, this is recognised on a straight-line basis over the term of the relevant lease in line with the satisfaction of the performance obligations.

Installation fees

Revenue generated from installation services at the commencement of a contract or from additional services during the contract represents an advance payment for the right to use the asset over the term of the contract. Revenue is recognised over the contract term in line with the satisfaction of the performance obligations. Customers are invoiced once the installation has been performed.

Utility recharges

Utility costs are recharged to customers as they are incurred, typically monthly in arrears, and revenue is recognised as the costs are incurred in line with the satisfaction of the performance obligations.

Contract assets and liabilities

Customer payment terms are typically due 30 days from receipt of the invoice. Contract assets (trade debtors) and contract liabilities (deferred revenue) fluctuate depending on the timing of invoicing and if the invoicing is in advance or arrears.

Revenues exclude value added tax and other sales related taxes. Consideration amounts are not variable and do not include a financing component.

2.4. 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.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.5. 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:

- | | |
|-------------------------------------|----------------------------|
| • Right of use assets | 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.

2.6. 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.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.7. Leases

Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Right of use assets are shown within Tangible assets on the Balance sheet.

Company as a lessor

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.

2.8. Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses (ECL) on trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 120 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the balance sheet.

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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.9. Cash and cash equivalents

Cash and cash equivalents comprises cash in hand and other short-term and highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.10. Financial liabilities and equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the 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.

Financial liabilities

Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'other financial liabilities'. The Company's financial liabilities at 31 March 2021 and 31 March 2020 were all classified as 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.

2.11. 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.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.12. 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.

2.13. 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.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.14. 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.

2.15. Finance income

Finance income from financial assets is recognised in profit or loss over the term of the applicable instrument.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

3. 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.

Critical judgements in applying accounting policies

There are no critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies.

Key sources of estimation and uncertainty

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. At 31 March 2021 the Company has recognised non-financial assets of £71.9m (2020: £77.2m), no impairment triggers have been noted at 31 March 2021.

Deferred tax

The recognition of deferred tax assets, particularly in respect of tax losses and future interest deductions, is based upon whether management estimate that it is probable that there will be sufficient and suitable taxable profits in the Company against which to utilise the assets in the future. The Company assesses the availability of future taxable profits using a forecast which is based on the budget and assumptions around future customer revenues and operating expenses. Changes in the assumptions and estimates which underpin the forecasts could have an impact on the amount of future taxable profits and could have a significant impact on the period over which the deferred tax asset would be recovered. At 31 March 2021 the Company has recognised deferred tax assets in respect of tax losses of £0.1m (2020: £0.3m).

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

4. Employee information

The Company had no employees during the year ended 31 March 2021 (2020: nil).

5. Directors' remuneration

The directors received no remuneration for their services to the Company and were remunerated by another company in the group (2020: nil).

6. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £16,000 (2020: £15,000).

7. Revenue

The Company classifies its revenues into the following categories:

	31 March 2021 £'000	31 March 2020 £'000
Data centre services	10,136	15,068
Utility recharges	1,294	1,325
Installation services	598	650
Other	88	42
Total revenue	12,116	17,085

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. All revenue is from contracts with customers.

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	31 March
	2021	2020
	£'000	£'000
Power costs	1,281	1,294
Property costs	801	770
Charges from other Group companies	3,209	3,304
Other costs	2,259	2,077
	7,550	7,445
Depreciation and amortisation charges	6,450	6,499
Total expenses	14,000	13,944

Power costs represent the total cost of power to the Company including environmental taxes. Property costs include 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. There were no operating lease expenses in the year (2020: £nil).

9. Finance income

	Year ended	
	31 March	31 March
	2021	2020
	£'000	£'000
Bank and other interest	7	2

10. Finance costs

	Year ended	
	31 March	31 March
	2021	2020
	£'000	£'000
Items held at amortised cost:		
Interest payable on leases liabilities	4,208	4,189
	4,208	4,189

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

11. Income tax

No tax charge (2020: no tax charge) arose during the year. At 31 March 2021, there were approximately £21,450,000 (2020: £17,798,000) of tax losses available for set off against future profits, which may be carried forward indefinitely.

	Year ended	
	31 March 2021 £'000	31 March 2020 £'000
Current tax		
In respect of the current year	-	-
	-	-
Deferred tax		
Origination and reversal of temporary differences	279	501
Movement in recognised deferred tax assets	(279)	(501)
	-	-
Tax charge for the year	-	-

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

	Year ended	
	31 March 2021 £'000	31 March 2020 £'000
Loss before tax on continuing operations	(6,085)	(1,046)
Tax at the UK corporation tax rate of 19% (2020: 19%)	1,156	199
Tax effect of expenses that are not deductible in determining taxable profit	(200)	(194)
Movement in deferred tax not recognised	(2,305)	(612)
Adjustments to tax charge in respect of prior periods	(4)	273
Re-measurement of deferred tax - change in rate	1,353	334
Tax charge for the year	-	-

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

11. Income tax (continued)

Deferred tax assets and liabilities have been recognised as follows:

	Accelerated capital allowances	Tax losses	Total
	£'000	£'000	£'000
At 31 March 2019	(845)	845	-
Credit/(charge) to the income statement	501	(501)	-
At 31 March 2020	(344)	344	-
Credit/(charge) to the income statement	279	(279)	-
At 31 March 2021	(65)	65	-

Deferred tax assets for interest to be deducted in future periods and tax losses may both be carried forward indefinitely. The deferred tax is reflected in the Balance sheet as follows:

	Accelerated capital allowances	Tax losses	Total
	£'000	£'000	£'000
Deferred tax asset	-	65	65
Deferred tax liability	(65)	-	(65)
	(65)	65	-

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 2021 £'000	31 March 2020 £'000
Interest to be deducted in future periods	362	295
Tax losses not recognised	5,276	3,038
Total deferred tax asset not recognised	5,638	3,333

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2021 on 24 May 2021. The rate applicable from 1 April 2022 remains at 19%, from 1 April 2023 the rate will be 25%. Deferred tax on temporary differences, tax losses and interest to be deducted in future periods 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

	Right of use assets £'000	Leasehold improvements £'000	Assets under construction £'000	Plant and equipment £'000	Furniture, fittings and equipment £'000	Total £'000
Cost						
At 1 April 2019	60,730	26,544	-	39,714	976	127,964
Additions	-	-	720	-	-	720
Transfers	-	12	(539)	518	9	-
Disposals	-	-	-	(75)	-	(75)
Transfer from group undertakings	-	-	-	7	34	41
At 31 March 2020	60,730	26,556	181	40,164	1,019	128,650
Additions	-	-	1,189	-	-	1,189
Transfers	-	-	(618)	610	8	-
At 31 March 2021	60,730	26,556	752	40,774	1,027	129,839
Accumulated depreciation						
At 1 April 2019	11,890	9,728	-	22,628	771	45,017
Charge for the year	1,881	1,286	-	3,255	76	6,498
Transfer from group undertakings	-	-	-	4	34	38
Disposals	-	-	-	(75)	-	(75)
At 31 March 2020	13,771	11,014	-	25,812	881	51,478
Charge for the year	1,880	1,287	-	3,215	68	6,450
At 31 March 2021	15,651	12,301	-	29,027	949	57,928
Net book value						
At 31 March 2021	45,079	14,255	752	11,747	78	71,911
At 31 March 2020	46,959	15,542	181	14,352	138	77,172
Leased assets included above:						
Net book value						
At 31 March 2021	45,079	-	-	-	-	45,079
At 31 March 2020	46,959	-	-	-	-	46,959

Cumulative finance costs capitalised as part of the cost of bringing property, plant and equipment into use amount to £417,000 (2020: £417,000). All land and buildings included as right of use assets are held for use by customers under contracts containing operating leases.

At the balance sheet date, the cost of data centre assets held for use by customers under operating leases was £128,812,000 (2020: £127,631,000) and the accumulated depreciation was £56,979,000 (2020: £50,595,000). The aggregate income from contracts containing operating leases recognised in revenue in the year in respect to these assets was £8,650,000 (2020: £13,825,000).

No property, plant and equipment has been used as security for bank loans provided to the Company (2020: £nil).

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

13. Intangible assets

	Software licences with definite useful lives
	£'000
Cost	
At 1 April 2019	29
Additions	6
At 31 March 2020	35
At 31 March 2021	35
Accumulated amortisation	
At 1 April 2019	28
Charge for the year	1
Disposal	6
At 31 March 2020	35
At 31 March 2021	35
Net book value	
At 31 March 2021	-
At 31 March 2020	-

Software licences are amortised over their 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 2021 £'000	31 March 2020 £'000
Current		
Trade receivables	682	494
Accrued income	170	91
Prepayments	129	137
Other receivables	3,780	571
Taxation and social security	852	-
	5,613	1,293
Non-current		
Accrued income	30	165
Rental deposits	19	19
	49	184

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 typical credit period with customers is 30 days, the credit quality of trade receivables is considered in note 24. Other receivables are an amount held in a rent account under the terms of the property lease.

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. Issued share capital

	31 March 2021 number	31 March 2020 number
Authorised, called up, allotted and fully paid		
Ordinary shares of £0.01 each	100	100
	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 (2020: £nil).

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

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

17. Trade and other payables

	31 March 2021 £'000	31 March 2020 £'000
Trade payables	518	540
Accruals and sundry creditors	277	448
Amounts prepaid by customers	7,577	-
Taxation and social security	-	350
Amounts owed to parent company	43,276	44,035
	51,648	45,373

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. The amounts owed to other group companies are not interest bearing, unsecured and are repayable on demand.

18. Lease liabilities

Where a right of use asset and corresponding lease liability is recognised by the Company, the 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.

	31 March 2021 £'000	31 March 2020 £'000
Current		
Lease liabilities	10	7
Non-current		
Lease liabilities	58,566	58,222
Total	58,576	58,229

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. All borrowings are denominated in pounds sterling.

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

18. Lease liabilities (continued)

The maturity profile of lease liabilities is set out below:

	31 March 2021 £'000	31 March 2020 £'000
Within one year	10	7
In one to five years	49	45
After five years	58,517	58,177
	58,576	58,229
Less unamortised debt fees	-	-
Net	58,576	58,229

Obligations under leases

Commitments in relation to leases are payable as follows:

	31 March 2021 £'000	31 March 2020 £'000
Within one year	3,978	3,861
In one to five years	17,134	16,638
After five years	114,954	119,428
Minimum lease payments	136,066	139,927
Future finance charges	(77,490)	(81,698)
Present value of lease liabilities	58,576	58,229

The weighted average remaining lease term is 24 years (2020: 25 years). At the end of the lease term the Company has an option to extend the lease by a further 15 years on similar terms to the existing lease.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

19. Cash generated from operations

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

		31 March 2021 £'000	31 March 2020 £'000
	Notes		
Loss for the year before tax		(6,085)	(1,046)
Adjusted for:			
finance costs	10	4,208	4,189
finance income	9	(7)	(2)
depreciation charge	8	6,450	6,499
Changes in working capital:			
increase in trade and other receivables		(4,185)	(122)
increase/(decrease) in trade and other payables		7,216	(589)
decrease in deferred revenue		(1,613)	(657)
Net cash inflow from operations		5,984	8,272

Non-cash transactions

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

20. Change in liabilities from financing activities

	Lease liabilities £'000	Amounts owed to parent company £'000
1 April 2019	57,787	48,774
Non-cash movements	4,189	-
Interest paid	(3,741)	-
Capital repaid	(6)	-
Net payments to related parties	-	(4,742)
Payment for property, plant and equipment	-	3
31 March 2020	58,229	44,035
Non-cash movements	4,208	-
Interest paid	(3,854)	-
Capital repaid	(7)	-
Net payments to related parties	-	(759)
31 March 2021	58,576	43,276

21. 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 2021 amounted to £148,000 (2020: £nil).

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Notes to the financial statements (continued)

22. Financial commitments

Company as lessor:

Some customer contracts for data centre services include a lease element, during the year revenue from contracts containing operating leases of £8,650,000 (2020: £13,825,000), was recognised in the statement of comprehensive income. At the balance sheet date the Company had contracts containing leases with customers with the following future minimum lease payments:

	31 March 2021 £'000	31 March 2020 £'000
Falling due:		
within one year	8,875	13,944
between one and five years	35,993	20,905
in more than five years	7,982	2,026
	52,850	36,875

23. Financial instruments

IFRS 7 and IFRS 13 require certain disclosures in respect of financial instruments. The key disclosures in respect of debt maturity are dealt with in note 18. The further disclosures required by IFRS 7 and IFRS 13 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
- 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 24.

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Notes to the financial statements (continued)

23. Financial instruments (continued)

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
At 31 March 2021			
Trade payables and other payables excluding taxation	8,372	-	-
Amounts owed to group companies	43,276	-	-
	51,648	-	-
	Less than one year £'000	Between one and five years £'000	Greater than five years £'000
At 31 March 2020			
Trade payables and other payables excluding taxation	988	-	-
Amounts owed to group companies	44,035	-	-
	45,023	-	-

Capital risk management

The capital of the Company consists of intercompany loans, net of cash and bank balances and its equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to continue to provide data centre services to its customers and to maintain an optimal capital structure. There are no externally imposed capital requirements.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

23. 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 Company has no financial instruments that are measured at fair value.

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 2021 £'000	31 March 2020 £'000
Financial assets			
At amortised cost:			
trade receivables	14	682	494
accrued income	14	200	256
cash and cash equivalents	15	127	127
Total financial assets		1,009	877
Financial liabilities			
At amortised cost:			
trade payables	17	518	540
amounts owed to group companies	17	43,276	44,035
Total financial liabilities		43,794	44,575

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

24. Trade receivables impairment disclosures

Through effective credit control procedures, the Company mitigates its exposure to the risk of bad debt. New customers are subject to credit checks before credit is granted. The credit quality of the trade receivables is considered good and has not changed since the initial recognition of the financial instruments.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses, which is based upon historical experience. No loss allowance has been recognised in the financial year (2020: £nil). The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Included within the trade receivables is an amount of £94,000 (2020: £66,000) 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 2021	31 March 2020
Period overdue	£'000	£'000
Up to 1 month	25	66
1 to 3 months	46	-
3 to 6 months	-	-
More than 6 months	23	-
Total	94	66

The Company holds cash deposits of £16,000 (2020: £16,000) as security against trade receivables.

ISDC Developments (No2) Limited

Notes to the financial statements (continued)

25. 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. Balances with related party companies are repayable upon demand and no interest is charged.

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

	31 March 2021 £'000	31 March 2020 £'000
Balances with related party companies		
Parent company	(43,276)	(44,035)
Transactions with related party companies		
Parent company	759	4,739

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

26. Events after the reporting period

As disclosed in the Directors Report, on 23 June 2022 Infinity SDC Limited (the Company's parent and ultimate controlling party), entered into an agreement to sell 100% of the Company's share capital. When the sale completes the current directors will resign and new directors will be appointed.

The global COVID-19 pandemic has continued since the year end and a conflict has commenced in Ukraine. The Strategic Report outlines the Company's response to the impact of the pandemic on its business operations. The Company has not seen a significant impact upon its operations or cash flows as a result of COVID-19 or the conflict in Ukraine since the year end.

27. Parent undertaking and ultimate controlling party

The Company's parent undertaking, ultimate 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, 100 Avebury Boulevard, Milton Keynes, MK9 1FH. Copies of the financial statements of that Group can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.