

Registered no: 07640903

**Zenium UK2 Limited**

**Annual Report and Financial Statements**

for the year ended 31 December 2019

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# Zenium UK2 Limited

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## **Zenium UK2 Limited**

### **Officers and professional advisers**

#### **Directors**

Matthew Pullen

Erik Z. Leban

#### **Registered Office**

3<sup>rd</sup> Floor

103 Mount Street

London

W1K 2TJ

#### **Bankers**

National Westminster Bank PLC

501 Silbury Boulevard

Milton Keynes

MK9 3ER

#### **Lawyers**

Eversheds LLP

Eversheds House United Kingdom

70 Great Bridgewater Street

Manchester

M1 5ES

#### **Auditor**

Deloitte LLP

Statutory Auditor

Abbots House

Abbey Street

Reading

RG1 3BD

# Zenium UK2 Limited

## Directors' report

The directors present their report and the audited financial statements of Zenium UK2 Limited ("the Company") for the year ended 31 December 2019. These financial statements are prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework".

### PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The principal activity of the Company is that of development, management and letting of data centre real estate.

The directors consider that the operations of the Company will remain substantially unchanged for the foreseeable future.

#### *Coronavirus (COVID-19)*

The global economy has seen a drastic slow down as a result of uncertainties caused by the rapid spreading of Coronavirus (COVID-19). Governments around the world have launched several stimulus packages since the World Health Organisation declared the virus to be a pandemic on 11 March 2020. Due to the nature of the Company's operations, the Company has not been significantly impacted by the current effects of the pandemic. Safety measures implemented because of social distancing guidelines have not had a material impact on the operations and development of the data centre. The long-term economic effects are yet to be understood but are not expected to significantly impact future demand for the Company's services. The directors will continue to monitor the situation as it unfolds.

#### *Brexit*

In June 2016, the UK voted by referendum to leave the European Union ("EU"). Following many months of negotiation with the EU and UK parliamentary review, the UK formally left the EU on 31 January 2020. The EU and the UK are at present in an agreed transition phase, during which, both parties will negotiate and agree the final terms of their future relationship (including trade). The agreed new relationship is expected to commence at the end of the transition period on 31 December 2020. The Directors do not consider there to be a material risk from the impact of Brexit given the nature of the Company's operations and its business model.

### RESULTS FOR THE YEAR, REVIEW OF BUSINESS AND DIVIDENDS

The results for the year and their appropriation are set out in the Profit and loss account on page 8. The Company made a loss for the financial year of £3,058,000 (31 December 2018: loss of £4,505,000). The Company completed fit out of second data hall (3.1MW) for an existing tenant in the period with revenue contract commencing in the third quarter of the year resulting in an increase in revenue in the year.

The directors are of the view that the Company's profit and loss statement and balance sheet adequately reflect the Company's development, performance and position and that no other key performance indicators would be considered necessary for an evaluation of the Company's development, performance and position.

The Directors do not recommend the payment of a dividend for the year (31 December 2018: £nil)

### DIRECTORS

The directors shown below have held office for the whole year from their date of appointment to the date of the approval of the financial statements, unless otherwise stated.

Matthew Pullen (appointed 31 July 2019)

Robert Jackson (resigned 31 July 2019)

Erik Z. Leban

### RESEARCH AND DEVELOPMENT

The Company does not undertake any research and development activities (31 December 2018: none).

## Zenium UK2 Limited

### Directors' report (continued)

#### POLITICAL DONATIONS

The Company has made no political donations in the year (31 December 2018: £nil).

#### GOING CONCERN

The Company meets its day-to-day working capital requirements through its cash resources and financing facilities with its intermediate parent company, CyrusOne Dutch Holdings B.V. The Company is loss making will continue to require support from its ultimate parent company, CyrusOne Inc., until the data centre has been fully tenanted. The directors have assessed the ability of CyrusOne Inc. to provide such support and has concluded that the funds made available are in excess of any needed.

The current economic environment creates uncertainty, however, the Company's revenue is based on long-term contracts signed in advance and, to date, there has been no indication that demand for our services or customer payments have been materially impacted by the Covid-19 pandemic. CyrusOne Inc. and its subsidiary undertakings ("CyrusOne Group") have also implemented safety measures at each facility, including enhanced access screening, facility restrictions and limitations on size gatherings to limit the spread of the disease in the workplace.

Consequently, the going concern principle has been adopted in preparing the annual report and financial statements.

#### SUBSEQUENT EVENTS

The impact and mitigation of risks in relation to recent Covid-19 outbreak has been discussed above in principal activities and future developments section within this directors' report. No other events occurred subsequent to 31 December 2019 through the date the financial statements were issued that required additional disclosure.

#### AUDITOR

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

- so far as the director is aware, there is no relevant 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 in order 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 been deemed re-appointed under section 487 of the Companies Act 2006.

#### SMALL COMPANIES EXEMPTION

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

Approved by the Board and signed on its behalf by:



**Matthew Pullen**  
Director

Date: 22 December 2020

## **Zenium UK2 Limited**

### **Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

## **Zenium UK2 Limited**

### **Independent auditor's report to the members of Zenium UK2 Limited**

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

##### **Opinion**

In our opinion the financial statements of Zenium UK2 Limited (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

##### **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.

## **Zenium UK2 Limited**

### **Independent auditor's report to the members of Zenium UK2 Limited (continued)**

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

#### **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.



## **Zenium UK2 Limited**

### **Independent auditor's report to the members of Zenium UK2 Limited (continued)**

#### **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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

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

##### **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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

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.



**Andrew Hornby, FCA (Senior Statutory Auditor)**

for and on behalf of Deloitte LLP

Statutory Auditors

Reading, United Kingdom

22 December 2020

## Zenium UK2 Limited

### Profit and loss account

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Revenue	6	10,492	7,676
Cost of sales		(7,497)	(5,780)
<b>Gross profit</b>		<b>2,995</b>	<b>1,896</b>
Administrative expenses		(4,597)	(3,473)
<b>Operating loss</b>	<b>7</b>	<b>(1,602)</b>	<b>(1,577)</b>
Finance costs	9	(1,456)	(2,928)
<b>Loss before taxation</b>		<b>(3,058)</b>	<b>(4,505)</b>
Taxation on loss	10	-	-
<b>Loss after taxation</b>		<b>(3,058)</b>	<b>(4,505)</b>

There have been no gains or losses in either the current or preceding year other than the loss for the financial year, and consequently a separate statement of other comprehensive income has not been presented.

All items derive from continuing operations.

The notes on pages 11 to 30 form part of these financial statements.

# Zenium UK2 Limited

## Balance sheet

As at 31 December 2019

	Notes	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Tangible assets	11	70,953	58,743
Right of use asset	12	7,940	-
Trade and other receivables	13	9,593	11,766
		<b>88,486</b>	<b>70,509</b>
<b>Current assets</b>			
Trade and other receivables	13	5,392	1,574
Cash and cash equivalents	14	5,119	3,605
		<b>10,511</b>	<b>5,179</b>
<b>Creditors – amounts falling due within one year</b>	15	<b>(77,701)</b>	<b>(49,817)</b>
<b>Net current liabilities</b>		<b>(67,190)</b>	<b>(44,638)</b>
<b>Total assets less current liabilities</b>		<b>21,296</b>	<b>(25,871)</b>
<b>Creditors – amounts falling due after one year</b>	16	<b>(12,008)</b>	<b>(13,537)</b>
<b>Net assets</b>		<b>9,288</b>	<b>12,334</b>
<b>Equity</b>			
Called up share capital	18	239	239
Other reserves	19	15	3
Share premium account	18	23,538	23,538
Accumulated losses		(14,504)	(11,446)
<b>Total equity and liabilities</b>		<b>9,288</b>	<b>12,334</b>

The notes on pages 11 to 30 are an integral part of these financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements of Zenium UK2 Limited (registered number 07640903) were approved by the board of directors and authorised for issue on 22 December 2020. They were signed on its behalf by:



**Matthew Pullen - Director**

## Zenium UK2 Limited

### Statement of changes in equity

For the year ended 31 December 2019

	Notes	Called up share capital £'000	Share premium £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
<b>Balance as at 1 January 2018</b>		239	23,538	-	(6,941)	16,836
Loss and total comprehensive expense for the year		-	-	-	(4,505)	(4,505)
Share-based payment transactions	8,19	-	-	3	-	3
<b>Balance as at 31 December 2018</b>		239	23,538	3	(11,446)	12,334
Loss and total comprehensive expense for the year		-	-	-	(3,058)	(3,058)
Share-based payment transactions	8,19	-	-	12	-	12
<b>Balance as at 31 December 2019</b>		<b>239</b>	<b>23,538</b>	<b>15</b>	<b>(14,504)</b>	<b>9,288</b>

The notes on pages 11 to 30 are an integral part of these financial statements.

## **Zenium UK2 Limited**

### **Notes to the financial statements**

For the year ended 31 December 2019

#### **1. General information**

Zenium UK2 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 and domiciled in England and Wales. The address of the Company's registered office is shown on page 1. The nature of the Company's operations and its principal activities are set out in the directors' report on page 2.

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. Summary of significant accounting policies**

##### **2.1. Basis of preparation**

The financial statements of Zenium UK2 Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, in accordance with the Companies Act 2006 and on a going concern basis.

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

The 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.

FRS 101 allows a qualifying entity certain disclosure exemptions, if certain conditions have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Company is a qualifying entity as its results are consolidated into the financial statements of CyrusOne Inc. which are publicly available and can be obtained as set out in note 24.

As a qualifying entity, the Company has taken advantage of the following exemptions in preparation of these financial statements:

- from the requirement to prepare a statement of cash flows, IAS 7;
- from the requirement to present certain financial instrument disclosures, IFRS 7 and;
- from the disclosure requirements per paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation);
- From the disclosure requirements per paragraph 45(b) and 46 to 52 of IFRS 2, Share-based payments.

## **Zenium UK2 Limited**

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

For the year ended 31 December 2019

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

##### **2.2. Going concern**

The Company meets its day-to-day working capital requirements through its cash resources and financing facilities with its intermediate parent company, CyrusOne Dutch Holdings B.V. The Company is loss making will continue to require support from its ultimate parent company, CyrusOne Inc., until the data centre has been fully tenanted. The directors have assessed the ability of CyrusOne Inc. to provide such support and has concluded that the funds made available are in excess of any needed.

The current economic environment creates uncertainty, however, the Company's revenue is based on long-term contracts signed in advance and, to date, there has been no indication that demand for our services or customer payments have been materially impacted by the Covid-19 pandemic. CyrusOne Inc. and its subsidiary undertakings ("CyrusOne Group") have also implemented safety measures at each facility, including enhanced access screening, facility restrictions and limitations on size gatherings to limit the spread of the disease in the workplace.

Consequently, the going concern principle has been adopted in preparing the annual report and financial statements.

##### **2.3. New standards, amendments and IFRIC interpretations**

IFRS 16 is a new accounting standard that is effective for the year ended 31 December 2019 the impacts of adoption of IFRS 16 on the company's financial statements are summarised in note 25. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the company's financial statements.

##### **2.4. Revenue**

Revenues arise from the provision of data centre services (equipment supply and service charges) 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 is recognised over the term of the relevant customer contract.

Other revenue relating to one off customer services are recognised when the risks and rewards have been transferred to the customer.

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.

## Zenium UK2 Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2019

#### 2. Summary of significant accounting policies (continued)

##### 2.5. Tangible fixed assets

Tangible fixed assets 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:

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

Residual value is calculated on prices prevailing at the date of acquisition. The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

During the year, the Company reassessed the useful lives of its tangible assets, an exercise carried out such that, the depreciation policy aligns with the policies of the wider CyrusOne Group where possible.

Depreciation in relation to plant and equipment is classified within cost of sales and all other depreciation is held within administrative expenses.

Leasehold properties are the Company's interests in leased assets. From 2019, leased assets are presented as a separate line item in the balance sheet (Right-of-use assets), see note 25 for details about the effect of adoption of IFRS 16.

##### 2.6. Impairment of tangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible 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.

## **Zenium UK2 Limited**

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

For the year ended 31 December 2019

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

##### **2.6. Impairment of tangible assets (continued)**

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.

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

##### **2.7. Leases**

The Company leases its data centre property and the rental contract is for up to 25 years but may be extended. The lease agreement does not impose any covenants other than the security interests in the leased asset that is held by the lessor. The leased asset may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the company under residual value guarantees;
- the exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.



## Zenium UK2 Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2019

## 2. Summary of significant accounting policies (continued)

### 2.7. Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

As explained in notes 2.3 and 25, the Company has changed its accounting policy for leases where the company is the lessee. This change has not had a material impact on the financial statements. In the prior year, leases of property, plant and equipment where the Company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, were included in creditors: amounts falling due within 12 months and the long-term component was included in creditors: amounts falling due after more than one year. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there was no reasonable certainty that the company would obtain ownership at the end of the lease term. Leases in which a significant portion of the risks and rewards of ownership were not transferred to the company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives.

### 2.8. 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: amortised cost, financial assets at fair value through profit or loss (FVTPL), and fair value through other comprehensive income (FVOCI). 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 December 2019 were all classified as amortised cost.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as financial assets at amortised cost. Subsequent to initial recognition these are measured at amortised cost using the effective interest method, less any impairment.

## **Zenium UK2 Limited**

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

For the year ended 31 December 2019

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

##### **2.8. Financial assets (continued)**

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 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.

##### **2.9. 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 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.

##### **2.10. 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.

## **Zenium UK2 Limited**

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

For the year ended 31 December 2019

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

##### **2.10. Derecognition of financial assets (continued)**

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.

##### **2.11. 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.

##### **2.12. 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.

##### **2.13. Financial liabilities**

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. The Company's financial liabilities at 31 December 2019 and 31 December 2018 were all classified as other financial liabilities.

##### **2.14. 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.

## **Zenium UK2 Limited**

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

For the year ended 31 December 2019

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

##### **2.15. 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.

##### **2.16. 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.

##### **2.17. 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 the Company 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 substantively 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.

## **Zenium UK2 Limited**

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

For the year ended 31 December 2019

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

##### **2.17. Taxation (continued)**

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.

##### **2.18. Finance costs**

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

Finance costs which are directly attributable to the construction of tangible fixed assets 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.

##### **2.19. 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 the profit and loss account 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.

##### **2.20. Share-based payments**

CyrusOne Inc., the Company's ultimate parent, awards eligible employees restricted shares units (RSU)s of the parent. An RSU is the right to receive a share in CyrusOne Inc. upon completion of the requisite service period. The Company has accounted for such share-based payments in accordance with IFRS2 Share-based payments as equity-settled transactions. The fair value of the awards at grant date is recognised as an increase in other reserves and an employee expense on a straight-line basis. The fair value measured at grant date is amortised over the period during which the employees become unconditionally entitled to the shares with no adjustments for changes in market value of the shares.

##### **2.21. Pension costs**

Contributions to defined contribution schemes are recognised in the Profit and loss account in the year in which they became payable.

## **Zenium UK2 Limited**

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

For the year ended 31 December 2019

#### **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.

##### *Lease accounting*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For the lease of data centre facility, the following factors are normally the most relevant:

- if there are significant penalties to terminate (or not extend), the company is typically reasonably certain to extend (or not terminate).
- if any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate).

Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

##### **Key source of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, 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*

The Company has a significant amount of assets at the balance sheet date that are subject to depreciation. Management review 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 directors have determined that there are no material indicators of impairment at the balance date.

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

The average monthly number of employees during the year ended 31 December 2019 was 7 (31 December 2018: 3). All employees are related to operational activities, their related cost is included in cost of sales.

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

The Directors are not paid for their services for this Company. They are remunerated for their services to the group by other group companies. The consideration for their services is deemed to be £nil.

## Zenium UK2 Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2019

#### 6. Revenue

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

An analysis of revenue by category is as follows:

	2019	2018
	£'000	£'000
Rental, equipment - supply and service charges	7,968	7,101
Power revenue	752	-
Other revenue	1,772	575
	<b>10,492</b>	<b>7,676</b>

#### 7. Operating loss

Operating loss is stated after charging:

	2019	2018
	£'000	£'000
Wages and salaries	487	428
Social security costs	56	53
Other pension costs	25	23
Share-based payments (note 8)	13	3
Staff costs	<b>581</b>	<b>507</b>
Depreciation of tangible assets (note 11)	3,719	4,764
Depreciation in respect of right of use assets (note 12)	464	-
Audit fees payable to the company's auditor for the audit of company accounts	27	29

Depreciation on tangible assets of £2,786,000 (2018: £3,340,000) is recognised in cost of sales and the remaining depreciation of £933,000 (2018: £1,424,000) is recognised as administrative expenses.

#### 8. Share-based payments

RSUs are granted in form of restricted stock of the ultimate parent, CyrusOne Inc. The RSUs vest at a weighted average rate of 33.33% per year over a three-year period, subject to continued employment with the Company.

The Company recognises compensation expense for all non-vested stock-based awards at their grant date fair value which is amortised over the respective vesting periods.

The fair value is calculated in U.S. dollars by multiplying the number of shares or units granted by the average of the high and low trading prices of CyrusOne Inc.'s common stock on the NASDAQ Stock Exchange on the grant date. The total annual RSU expense for the year ended 31 December 2019 was £12,283 (2018: £2,633)

## Zenium UK2 Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2019

#### 9. Finance costs

	2019	2018
	£'000	£'000
Interest payable on loans	631	671
Interest on lease liabilities*	825	825
Other finance charges		1,432
	1,456	2,982

\*The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. In 2018 interest expense relating to lease liabilities is for finance lease under IAS 17 while in 2019 the interest expense is for lease liabilities under IFRS 16.

#### 10. Taxation on loss

No taxation charge arose during the year (31 December 2018: £nil). At 31 December 2019, there were £23,212,000 (31 December 2018: £22,685,000) of tax losses available for set off against future profits, which may be carried forward. A deferred tax asset has not been recognised for these losses due to uncertainty around future recognition.

The tax charge for the year can be reconciled to the loss per the Profit and loss account as follows:

	2019	2018
	£'000	£'000
Loss before taxation	(3,058)	(4,505)
Tax at the UK corporation tax rate 19% (31 December 2018: 19%)	(581)	(856)
Movement in deferred tax not recognised	581	856
Tax on loss		-

No deferred tax asset or liability has been recognised in respect of trading losses or tangible assets temporary differences due to the uncertainty of their realisation in the future.

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. In directors' view, there is no material impact expected on the company financial statements.



# Zenium UK2 Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2019

### 11. Tangible assets

	Leasehold properties £'000	Leasehold improvements £'000	Assets under construction £'000	Plant and equipment £'000	Furniture, fittings and equipment £'000	Total £'000
<b>Cost</b>						
<b>At 1 January 2018</b>	<b>11,866</b>	<b>22,054</b>	<b>17,430</b>	<b>27,267</b>	<b>216</b>	<b>78,833</b>
Additions	-	-	3,131	41	-	3,172
Transfers	-	762	(17,090)	16,328	-	-
<b>At 31 December 2018</b>	<b>11,866</b>	<b>22,816</b>	<b>3,471</b>	<b>43,636</b>	<b>216</b>	<b>82,005</b>
Additions	-	-	25,321	-	-	25,321
Transfers from (to) other asset classes	-	4,781	(14,954)	10,173	-	-
Transfers out of tangible assets	-	(413)	(140)	(856)	-	(1,409)
Effect of adoption of IFRS 16: Leases (note 25)	(11,866)	-	-	-	-	(11,866)
<b>At 31 December 2019</b>	<b>-</b>	<b>27,184</b>	<b>13,698</b>	<b>52,953</b>	<b>216</b>	<b>94,051</b>
<b>Depreciation</b>						
<b>At 1 January 2018</b>	<b>(2,997)</b>	<b>(5,107)</b>	<b>-</b>	<b>(10,245)</b>	<b>(149)</b>	<b>(18,498)</b>
Charge for the year	(465)	(950)	-	(3,340)	(9)	(4,764)
<b>At 31 December 2018</b>	<b>(3,462)</b>	<b>(6,057)</b>	<b>-</b>	<b>(13,585)</b>	<b>(158)</b>	<b>(23,262)</b>
Effect of adoption of IFRS16: Leases (note 25)	3,462	-	-	-	-	3,462
Reclassified out	-	155	-	266	-	421
Charge for the year	-	(925)	-	(2,786)	(8)	(3,719)
<b>At 31 December 2019</b>	<b>-</b>	<b>(6,827)</b>	<b>-</b>	<b>(16,105)</b>	<b>(166)</b>	<b>(23,098)</b>
<b>Net book value</b>						
<b>At 31 December 2019</b>	<b>-</b>	<b>20,357</b>	<b>13,698</b>	<b>36,848</b>	<b>50</b>	<b>70,953</b>
<b>At 31 December 2018</b>	<b>8,404</b>	<b>16,759</b>	<b>3,471</b>	<b>30,051</b>	<b>58</b>	<b>58,743</b>

Leasehold properties are the Company's interests in leased assets. From 2019 leased assets are presented as a separate line item in the balance sheet (Right-of-use assets), see note 25 for details about the effect of adoption of IFRS 16.

## Zenium UK2 Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2019

#### 11. Tangible assets (continued)

At the balance sheet date, the cost of data centre assets held for use by customers under operating leases and service agreements was £94,051,000 (31 December 2018: £82,005,000) and the accumulated depreciation was £23,098,000 (31 December 2018: £23,262,000). The aggregate operating lease income recognised in revenue in year ended 31 December 2019 was £7,968,000 (31 December 2018: £7,101,000). At 31 December 2019 and 31 December 2018, the Directors have determined there is no indication of impairment of the property, plant and equipment, accordingly there were no impairment adjustments to the carrying value of the Company's tangibles assets.

#### 12. Leases

The company has a long lease contract in respect of buildings for its data centre operations. The amounts recognised in the financial statements in relation to the lease is as follows:

##### (i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2019 £	1 January 2019*
Right-of-use assets in respect of buildings	7,940	8,404
Lease liability		
Current	428	428
Non-current	12,008	12,437
	12,436	12,865

\*In the previous year, the Company recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the Company's borrowings. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 25. There were no additions to the Right-of-use assets during the 2019 financial year.

##### (ii) Amounts recognised in the Profit and loss account

	2019 £'000	2018 £'000
Depreciation charge of right of use asset - building	464	-
Interest expense included in finance cost (note 9)	825	-

## Zenium UK2 Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2019

#### 12. Leases (continued)

Future minimum lease payments at 31 December are as follows:

	2019 £'000	2018 £'000
Not later than one year	1,254	1,254
Later than one year and not later than five years	5,532	5,202
Later than five years	19,685	21,267
Minimum lease payments	26,471	27,723
Impact of finance expenses	(14,035)	(14,858)
<b>Carrying amount of liability</b>	<b>12,436</b>	<b>12,865</b>

The Company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Thus, the comparative future minimum lease payments presented are based on IAS 17 while the current year are based on IFRS 16.

The total cash outflow for leases in the period was £1,253,600.

#### 13. Trade and other receivables

	2019 £'000	2018 £'000
<b>Current</b>		
Trade receivables	535	89
Accrued income	4,759	1,264
Prepayments	66	-
Other taxation	26	-
Amounts due from other group companies	6	221
	<b>5,392</b>	<b>1,574</b>
<b>Non-current</b>		
Accrued income	7,806	10,104
Rental deposits	1,662	1,662
Other deferred costs	125	-
	<b>9,593</b>	<b>11,766</b>

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

Accrued income in the table above represents contract assets relating to revenue contracts as at 31 December 2019 of £12,565,000 (2018: £11,368,000) of this amount £4,759,000 (2018: £1,264,000) has been classified as current.

## Zenium UK2 Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2019

#### 14. Cash and cash equivalents

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

#### 15. Creditors – amounts falling due within one year

	2019	2018
	£'000	£'000
Trade payables	292	251
Accruals and sundry creditors	1,926	576
Amounts due to other group companies	52,189	25,735
Amounts due to parent undertaking	21,130	21,130
Taxation and social security	21	103
Lease liability (note 12)	428	-
Contract liabilities	1,515	1,594
Loans and borrowings (note 17)		428
	<b>77,701</b>	<b>49,817</b>

Trade and other payables are measured at historical cost, which approximates to their fair values due to their short maturity period. From 1<sup>st</sup> October 2019 amounts due to CyrusOne Dutch Holdings B.V. are charged a fixed annual interest rate of 5.5%, however is still repayable on demand and unsecured. All other amounts due to group companies are unsecured, interest free, and repayable on demand.

#### 16. Creditors – amounts falling due after one year

	2019	2018
	£'000	£'000
Contract liabilities		1,100
Lease liability (note 12)	12,008	-
Loans and borrowings (note 17)		12,437
	<b>12,008</b>	<b>13,537</b>

During the year, contract liabilities were reassessed and it was determined that, installation services performed on behalf of the customer resulted in the risks and rewards of such installation being transferred to the customer at completion. Therefore, amounts billed and paid by the customer were not contract liabilities. As a result, contract liabilities of £1,100,000 brought forward from the previous year were recognised in the Profit and loss.

#### 17. Loans and borrowings

	2019	2018
	£'000	£'000
<b>Current</b>		
Obligations under finance leases		428
<b>Non-current</b>		
Obligations under finance leases		12,437
<b>Total</b>		<b>12,865</b>

## Zenium UK2 Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2019

#### 17. Loans and borrowings (continued)

##### Obligation under finance leases

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. All borrowings are in pounds sterling. The Directors consider the carrying value of the borrowings to approximate to their fair values as they attract a market rate of interest.

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

Obligations under finance leases	2019 £'000	2018 £'000
Within one year		428
Within two and five years		1,900
After five years		10,537
Present value of lease obligation		12,865

##### Obligations under finance leases

Commitments in relation to finance leases are payable as follows:

	2019 £'000	2018 £'000
Within one year		1,254
In one to five years		5,202
After five years		21,267
Minimum lease payments		27,723
Future finance charges		(14,858)
Present value of lease obligations		12,865

The finance leases relate to the leasehold properties disclosed in note 12. The remaining lease term is 18 years (31 December 2018: 19 years). At the end of the lease terms, the Company has the right to extend for further 25 years.

Finance lease liabilities were included in the borrowings until 31 December 2018 after which they were classified to lease liabilities on 1 January 2019 in the process of adopting the new leasing standard. See note 25 about the adoption of IFRS 16.

## Zenium UK2 Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2019

#### 18. Called up share capital

	2019		2018	
	No.	£	No.	£
Number of shares authorised, allotted and fully paid				
Ordinary shares of £0.01 each	23,875,675	238,757	23,875,675	238,757

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

On 12 April 2017 the Company issued 23,775,675 ordinary shares to its parent company, Zenium Holdings Limited in consideration for the release of an intercompany loan of £23,775,675 owed to Zenium Holdings Limited. The nominal value of each share issued is £0.01 giving rise to share premium of £23,537,918.

#### 19. Other reserves

	2019	2018
	£'000	£'000
Balance at 1 January 2019	3	-
Share-based payment expense	12	3
Balance at 31 December 2019	15	3

Other reserves relate to the Company's participation in the group share-based payment schemes provided by the ultimate parent company. The Company recognises compensation expense for all non-vested stock-based awards at their grant date fair value which is amortised over the respective vesting periods. Details of the share-based charges during the year are disclosed in note 8.

These charges have been passed down from CyrusOne Inc. to the parent of the Company, Zenium Holdings Limited, and then subsequently passed down from the parent, to the Company as a capital contribution with a corresponding share-based payment expense recognised within staff costs in the Profit and loss account.

#### 20. Capital

Capital expenditure in respect of property plant and equipment that had been contracted but not provided for in the financial statements at 31 December 2019 amounted to £ 1,663,000(31 December 2018: £24,910,000).

## Zenium UK2 Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2019

#### 21. Financial commitments

##### Company as lessor:

During the year revenue generated from operating leases and service agreements with customers of £7,968,000 (31 December 2018: £7,101,000), was recognised in the Profit and loss account. At the balance sheet date, the Company had operating leases and service agreements with customers with the following future minimum payments:

	2019	2018
	£'000	£'000
Falling due:		
within one year	10,797	8,288
within one to five years	42,883	29,009
after five years	17,647	23,785
	<b>71,327</b>	<b>61,082</b>

#### 22. Related parties

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

#### 23. Subsequent events

The impact and mitigation of risks in relation to recent Covid-19 outbreak has been discussed above in principal activities and future developments section within this directors' report. No other events occurred subsequent to 31 December 2019 through the date the financial statements were issued that required additional disclosure.

#### 24. Parent undertaking and ultimate controlling party

The immediate parent undertaking is Zenium Holdings Limited, a company incorporated in Ireland with registered address at Suite 3, One Earlsfort Centre, Lower Hatch Street, Dublin 2, Ireland. The parent undertaking of both the smallest and largest undertakings for which consolidated financial statements are drawn up and publicly available is CyrusOne Inc., which is incorporated in the United States of America and which is the ultimate parent company. The consolidated financial statements of CyrusOne Inc. are available from the registered office at 2850 N. Harwood Street, Suite 2200, Dallas, Texas 75201 or by visiting CyrusOne Inc.'s website at [www.cyrusone.com](http://www.cyrusone.com).

CyrusOne Inc. is also the ultimate controlling party.

## Zenium UK2 Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2019

#### 25. Effect of adoption of IFRS 16 - Leases

As indicated in notes 2.3 and 12, the company has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.7. On adoption of IFRS 16, leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. There were no material measurement adjustments arising from remeasurement of the lease liabilities. There were no operating leases at 31 December 2018 to be remeasured on the adoption of IFRS16.

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

#### Measurement of lease liabilities

	2019 £'000
Finance lease liabilities at 31 December 2018	12,865
Add/(less): adjustments as a result of different treatment of extension and termination options	
Lease liability recognised as at 1 January 2019	12,865
Of which are:	
Current lease liabilities	428
Non-current lease liabilities	12,437
	12,865