



cobalt data centre 3 llp
report and financial statements
year ended 5 April 2017



report and financial statements 2017

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members' report

year ended 5 April 2017

The members have pleasure in presenting their report and the financial statements of Cobalt Data Centre 3 LLP for the year ended 5 April 2017.

activities

Its principal activity was the development of the Tier 3 data centre, Cobalt DC3 in the Cobalt Business Park near Newcastle, and the exploitation thereof.

The partnership has no branches outside the UK.

review of the period

The partnership's profit before adjustment to property value for the financial period was £14,732 (2016 - £9,225 profit). The result was as anticipated, and the Partnership will move further into profit as it begins exploitation of its principal asset.

designated members

The following members were designated members during the year:

Cobalt DM1 Limited
Cobalt DM2 Limited

future developments

Construction completed on Cobalt DC3 in 2012 and the Partnership continues to seek potential tenant interest and commence works on the detailed fit-out.

allocation of profits, drawings and financing

In accordance with the Members' Agreement, profits earned on a periodic basis are allocated each year between the members proportionately to the amount of their respective capital interests.

Following each year end date, the Designated Members shall assess the future working capital and other financial requirements of the Partnership. Any surplus cash shall be distributed within a reasonable period thereafter.

The operating cash requirements of the Partnership shall be met out of Members' initial contributions, no Member shall be required to make any further funding available after his or her admission as a member.

auditors

During the period, Shipleys LLP were appointed as auditors. A resolution to reappoint Shipleys LLP will be proposed at the next members' meeting.

statement of members' responsibilities

year ended 5 April 2017

The members are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Legislation applicable to limited liability partnerships requires the members to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the partnership and of the profit or loss of the partnership for that period. In preparing those financial statements, the members are required to:

- select suitable accounting policies, as described on pages 8 and 9, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the partnership will continue in business.
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The members are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the LLP and to enable them to ensure that the financial statements comply with the Companies Act 2006 as modified by the Limited Liability Partnership Regulations 2008. The members are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the members are aware:

- there is no relevant audit information of which the auditor is unaware, and
- the members have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

small llp provisions

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 (as applied to limited liability partnerships by regulation 3 of the Limited Liability Partnerships Regulations 2008).

This report was approved by the Designated Members on 29 September 2017



Cobalt DM 1 Limited
Designated Member



Cobalt DM2 Limited
Designated Member

independent auditor's report to the members of Cobalt Data Centre 3 LLP

year ended 5 April 2017

We have audited the financial statements of Cobalt Data Centre 3 LLP for the year ended 5 April 2017 which comprise the profit and loss account, the reconciliation of members' interests, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 Section 1A 'The Financial Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the LLP's members, as a body, in accordance with the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008 as amended by The Limited Liability Partnerships, Partnerships and Groups (Accounts and Audit) Regulations 2016. Our audit work has been undertaken so that we might state to the LLP'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 LLP and the LLP's members as a body, for our audit work, for this report, or for the opinions we have formed.

respective responsibilities of members and auditor

As explained more fully in the statement of members' responsibilities, the members are responsible for preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Accounting Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the LLP's affairs as at 5 April 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

independent auditor's report to the members of Cobalt Data Centre 3 LLP
year ended 5 April 2017

matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act as applied to limited liability partnerships requires us to report to you 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
- we have not received all the information and explanations we require for our audit.
- the members were not entitled to prepare financial statements in accordance with the small limited liability partnerships' regime.



Joseph Kinton (senior statutory auditor)

For and on behalf of Shipleys LLP, statutory auditor
10 Orange Street, Haymarket, London WC2H 7DQ

9 October 2017

Shipleys LLP is a limited liability partnership registered in England and Wales (with registered number OC317129).

profit and loss account
year ended 5 April 2017

	Notes	2017 £	2016 £
Turnover	1	526,391	527,191
Cost of sales		-	-
Gross Profit		526,391	527,191
Administrative Expenses		(6,970,852)	(8,913,998)
Operating (Loss)	2	(6,444,461)	(8,386,807)
Attributable to:			
Operating profit before exceptional item		399,038	394,795
Exceptional item	5	(6,843,499)	(8,781,602)
Finance Cost	3	(384,306)	(385,570)
(Loss) for the financial period before members' remuneration and profit shares		(6,828,767)	(8,772,377)
Members' remuneration charged as an expense		-	-
(Loss) for the year available for discretionary division among members		(6,828,767)	(8,772,377)

The notes on pages 10 to 12 form part of these financial statements.

reconciliation of movements in members' funds
year ended 5 April 2017

	Members' capital £	Other reserves £	Total £	Loans & other debtors due to members £	2017 total £	2016 total £
Members' interests at 5 April 2016	32,938,352	(58,040,851)	(25,102,499)	-	(25,102,499)	(16,330,122)
Members' remuneration charged as an expense, including employment and retirement benefit costs	-	-	-	-	-	-
(Loss) for the year available for discretionary division among members	-	(6,828,767)	(6,828,767)	-	(6,828,767)	(8,772,377)
Members' interests after profit for the year	32,938,352	(64,869,618)	(31,931,266)	-	(31,931,266)	(25,102,499)
Introduced by members	-	-	-	-	-	-
Repayments of debt	-	-	-	-	-	-
Members' interests as at 5 April 2017	32,938,352	(64,869,618)	(31,931,266)	-	(31,931,266)	(25,102,499)

The notes on pages 10 to 12 form part of these financial statements.

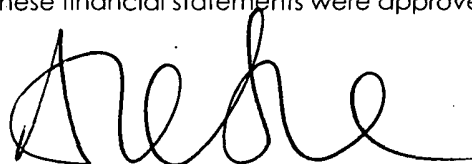
balance sheet

at 5 April 2017

	Notes	2017 £	2016 £
Non-Current Assets			
Tangible Assets	5	44,874,899	51,718,398
Current Assets			
Debtors	6	135,981	4,283
Cash at Bank		117,993	352,286
		253,974	356,569
Creditors: Amounts falling due within 1 year	7	(109,232)	(128,529)
Net Current Assets		144,742	228,040
Creditors: Amounts falling due after more than 1 year	8	(76,950,907)	(77,048,938)
Net Deficit attributable to members		(31,931,266)	(25,102,499)
Represented by:			
Equity			
Members' capital classified as equity		32,938,352	32,938,352
Other reserves classified as equity		(64,869,618)	(58,040,851)
		(31,931,266)	(25,102,499)
Total members' interests			
Members' other interests		(31,931,266)	(25,102,499)

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 as applied to Limited Liability Partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 as modified by The Limited Liability Partnerships, Partnerships and Groups (Accounts and Audit) Regulations 2016.

These financial statements were approved by the members on 29/09/17 and are signed on their behalf by:



Cobalt DM1 Limited
Designated Member

Registered Number OC0362746



Cobalt DM2 Limited
Designated Member

The notes on pages 10 to 12 form part of these financial statements.

accounting policies

year ended 5 April 2017

general information

Cobalt Data Centre 3 LLP is a limited liability partnership incorporated in England and Wales, registered number OC0362746. The registered office is Gilmoora House, 57-61 Mortimer Street, London W1W 8HS.

basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102 section 1A'), Companies Act 2006 as applied by LLPs and the Statement of Recommended Practice (SORP), Accounting by Limited Liability Partnerships, issued in January 2017.

The financial statements have been prepared on the historical cost basis except for the modification to the investment property as specified in the accounting policy below.

This is the first year in which the financial statements have been prepared under FRS 102 section 1A. Details of the transition to FRS 102 are disclosed in note 9.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Cobalt Data Centre 3 LLP does not have any subsidiary undertakings.

going concern

Whilst the Partnership has a net deficit on its balance sheet the financial statements have been prepared on a going concern basis as the Developer has provided sufficient cash security to support its obligations to the Partnership until 2026, which the Partnership uses in turn to provide security for its bank obligations.

turnover

Turnover represents annual rent or similar income in relation to exploitation of the partnership's asset, excluding VAT. Turnover which has been recognised but not invoiced by the balance sheet date is included in debtors as accrued income. Amounts invoiced in advance are included in creditors as deferred income.

fixed assets and depreciation

Under the requirements of FRS102, the LLP is required to assess the value of the investment property and, where possible, account for it at fair value through the profit and loss account. FRS102 permits alternative valuation methods where the fair value cannot be ascertained without undue time and effort. Due to the specialist nature of the LLP's property asset, the LLP has adopted an alternative method, using the provisions of section 17 FRS102 in determining value.

operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

bank borrowings

Borrowings are initially recognised at fair value and are subsequently measured at amortised cost.

accounting policies

year ended 5 April 2017

taxation

The taxation payable on the partnership's profits is a personal liability of the members during the year.

financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the partnership after deducting all of its liabilities.

members' participation rights

Members' participation rights are the rights of a member against the LLP that arise under the members' agreement (for example, in respect of amounts subscribed or otherwise contributed, remuneration and profits).

Members' participation rights in the earnings or assets of the LLP are analysed between those that are, from the LLP's perspective, either a financial liability or equity, in accordance with FRS 25 (IAS 32) Financial Instruments: Disclosure and Presentation and UITF abstract 39 Members' shares in co-operative entities and similar instruments. A member's participation right results in a liability unless the right to any payment is discretionary on the part of the LLP.

Amounts subscribed or otherwise contributed by members, for example members' capital, are classed as equity if the LLP has an unconditional right to refuse payment to members. If the LLP does not have such an unconditional right, such amounts are classified as liabilities.

Where profits are automatically divided as they arise, so the LLP does not have an unconditional right to refuse payment, the amounts arising that are due to members are in the nature of liabilities. They are therefore treated as an expense in the Profit and Loss Account in the relevant year. To the extent that they remain unpaid at the year end, they are shown as liabilities in the Balance Sheet.

Conversely, where profits are divided only after a decision by the LLP or its representative, so that the LLP has an unconditional right to refuse payment, such profits are classed as an appropriation of equity rather than as an expense. They are therefore shown as a residual amount available for discretionary division among members in the Profit and Loss Account and are equity appropriations in the Balance Sheet.

Other amounts applied to members, for example remuneration paid under an employment contract and interest on capital balances, are treated in the same way as all other divisions of profits, as described above, according to whether the LLP has, in each case, an unconditional right to refuse payment.

and other debts due to members' and are charged to the Profit and Loss Account within 'Members' remuneration charged as an expense'. Amounts due to members that are classified as equity are shown in the Balance Sheet within 'Members' other interests'.

notes to the financial statements

year ended 5 April 2017

1 turnover

The turnover and profit before tax are attributable to the one principal activity of the partnership and to the United Kingdom.

2 operating profit

Operating profit is stated after charging / (crediting):

	2017	2016
	£	£
Impairment of tangible fixed assets	6,843,499	8,781,602
Operating Lease Rentals	65,655	65,655
Auditors' remuneration	5,000	5,525
- audit services		
- tax services	1,000	1,000

3 interest payable and similar charges

	2017	2016
	£	£
Interest payable	(384,306)	(385,570)

4 employee information

The partnership had no employees and no members received any salaried remuneration from the partnership during the period. The average number of members in the period was 279 (2016 - 279).

5 tangible fixed assets

	Investment property	
	2017	2016
	£	£
Cost		
At 5 April 2016	109,794,501	109,794,501
Additions	-	-
At 5 April 2017	109,794,501	109,794,501
Impairment		
At 5 April 2016	(58,076,103)	(49,294,501)
Charge for the year	(6,843,499)	(8,781,602)
At 5 April 2017	(64,919,602)	(58,076,103)
Net Book Value		
At 5 April 2017	44,874,899	51,718,398
At 5 April 2016	51,718,398	60,500,000

notes to the financial statements

year ended 5 April 2017

5 tangible fixed assets - continued

The Partnership acquired the long leasehold interest in 2011. The property benefits from a developer guarantee which provides for certain levels of annual income across the period to 2026. The Partnership acquired a broker's opinion of value of the property in 2015, which placed the open market value of the property once tenanted at £60.5m. Taking into account this valuation, the terms of the developer guarantee and that the property is not currently tenanted, the designated members consider the value of the property should be carried at a value of £44.9m.

6 debtors

	2017	2016
	£	£
Trade debtors	131,698	-
Taxation and Social Security	4,283	4,283
	<u>135,981</u>	<u>4,283</u>

7 creditors: amounts falling due within one year

	2017	2016
	£	£
Trade Creditors	31	19,727
Taxation and Social Security	26,340	26,340
Accruals and deferred income	82,861	82,462
	<u>109,232</u>	<u>128,529</u>

8 creditors: amounts falling due after one year

	2017	2016
	£	£
Loans	<u>76,950,907</u>	<u>77,048,938</u>

The Partnership arranged a loan from Bank Winter & Co, AG Vienna to partially fund the purchase of Cobalt DC2.

The Loan is full recourse to the Partnership's assets and is secured on the Developers' obligations under the Developer Guarantee. The loan term is 7.5 years from 5 April 2011.

Interest on the loan accrues at a rate of 0.50% per annum. Under the terms of the Developer Guarantee, the Developer is required to provide cash security to support its obligations to the Partnership, which the Partnership in turn uses to provide the necessary security to the Bank.

9 transition to FRS 102 section 1A

These are the first financial statements that comply with FRS 102 Section 1A. The LLP transitioned to FRS 102 on 6 April 2015. No transitional adjustments were required on adoption of the new standard.

notes to the financial statements

year ended 5 April 2017

10 members' interests

There are no loans or debts due to members outstanding at the year end.

11 related party transactions

Cobalt Data Centre 3 LLP is under the control of its members.

The Highbridge Properties group

The Partnership acquired Cobalt DC3 from Highbridge North Tyneside Developer One Limited (the Developer), which is a member of the Highbridge Properties group of companies. Mr G N Marsden and Mr P J Pulford, who are both members of the Partnership, are directors of the Developer and directors and shareholders of the Highbridge Properties Group.

Harcourt Capital LLP

Harcourt Capital LLP is a member of CDC Administration LLP, the Organiser of the offering, and also the parent entity of Harcourt Capital Investments Limited and Cobalt DM1 Limited. Ms A R Brister and Mr M Fielding who were both members of Harcourt Capital LLP during the year are also members of the Partnership. Cobalt DM1 Limited is entitled to an annual fee of £2,500 from the Partnership. During the year, Cobalt DM1 Limited has been paid fees of £2,500; £2,500 was due at the year end (2016 - 2,500).

During the year CDC Administration LLP was entitled to income of £30,000 (2016: £30,000) from the Partnership. As at the year end CDC Administration LLP was owed £30,000 (2016: £30,000) by the Partnership.

12 operating lease commitments

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017	2016
	£	£
Within one year	65,655	65,655
After one year but within five years	262,620	262,620
After five years	6,499,845	6,565,500
	<u>6,828,120</u>	<u>6,893,775</u>