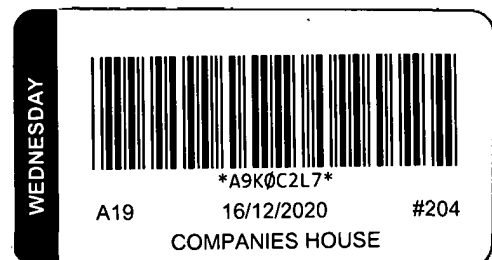


COLT DATA CENTRE SERVICES UK LIMITED

**Annual Report for the year ended
31 December 2019**

Registered number: 07306352



Colt Data Centre Services UK Limited

Strategic Report

For the year ended 31 December 2019

The Directors present their Strategic Report on the Company for the year ended 31 December 2019.

Business review and principal activities

Colt Data Centre Services UK Limited (the "Company" or "Colt") provides data centre services, within the group comprising Colt Group Holdings Limited and its subsidiaries ("the Group"), enabling customers to store their infrastructure and information in a safe and secure way. All of the trading activities by this Company are located at the London 3 Data Centre in Welwyn Garden City. The Directors expect the Company to continue this activity in the future. Colt Group Holdings Limited is a company incorporated in the United Kingdom. The results of the Company are included in the consolidated financial statements of Colt Group Holdings Limited for the years ended 31 December 2019. The ultimate parent entity is SHM Lightning Investors LLC ("SLI") incorporated in the United States of America. Refer to note 15.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are integrated with the principal risks and uncertainties facing the Group and are not managed separately. Details of the risks and uncertainties facing the Group, the Group's financial risk management policy, and an analysis of the performance of the Group can be found in the consolidated Group Annual Report which does not form part of this report. The Colt Group Annual Report is available from the Company's registered office. Refer to note 15.

Covid-19 global pandemic risk

As explained in the Going concern note under General notes and note 16 Post balance sheet events in the financial statements, the COVID-19 outbreak and resulting measures taken by various governments to contain the virus have not had a negative effect to our business in the first 9 months of 2020. The macroeconomic uncertainty causes disruption to economic activity and it is at present unknown what the longer term impact on our business may be. The scale and duration of this pandemic remain uncertain and might impact our business on the longer term. The main risks that result from the current uncertain situation regarding COVID-19 are:

Supply chain: Due to the lockdown in various countries the supply of required equipment to connect new customers or upgrade existing customers as well as spare parts might be delayed. This could delay our installations and consequently delay new revenue. Worst case a lack of spare parts could cause outages.

Revenues and profitability: Due to the mandatory home working of our sales force and impossibility to have face to face meetings with customers the amount of bookings could slow down on the longer term. Next to this we could face a delay in delivery due to lack of supply resulting in revenue delay.

Impairments: Considering the Covid-19 crisis so far increases demand for our products we don't see a risk for impairments.

Government assistance: Colt made use of the three months deferral arrangements for VAT and payroll tax to compensate the slowdown in customer payments towards Colt. Colt has no need for further assistance.

Financing and liquidity: In terms of cash flow, Colt Group has a strong cash position, is effectively managing its working capital position and has the ability to drawn down from its €430.0m Revolving Credit Facility ('RCF') from a related-party company as required. Colt Data Centre Services UK Limited therefore has sufficient financial backup to fulfil its current and future obligations. (see Going Concern for more detail)

Internal controls: Colt is structured as a matrix organisation which essentially means that not much has changed when our employees started working from home. Management is largely remote and controls are set up to function remotely.

Going concern: There is not material uncertainty about the entity's ability to continue as going concern

Colt Data Centre Services UK Limited

Strategic Report (continued)

For the year ended 31 December 2019

Review of the financial performance and key performance indicators

The profit before taxation was £4,005k (2018 (restated): profit £1,879k). The charge for taxation was £859k (2018: £1,316k) which resulted in a profit for the financial year of £3,146k (2018 (restated): profit £563k). The Company was in a net asset position of £6,720k (2018 (restated): £3,574k).

The Company's Directors believe that the analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company.

On behalf of the board

DocuSigned by:

Richard Tillbrook

Richard Tillbrook

Director

27 November 2020

Colt Data Centre Services UK Limited

Directors' Report

For the year ended 31 December 2019

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2019.

Directors and Company Secretary

The Directors of the Company acting during the year and up to the date of signing the financial statements were:

Caroline Griffin Pain
Kevin Kearns (appointed 20 May 2019)
Detlef Spang (resigned 17 December 2019)
Richard Tilbrook
Niclas Sanfridsson (appointed 17 December 2019)

The Company Secretary acting during the year and up to the date of this report was:

N Ramasamy (appointed 1 August 2019)
E Chengapen (resigned 1 August 2019)

Results & Dividends

The profit before taxation was £4,005k (2018 (restated): profit £1,879k). The charge for taxation was £859k (2018: £1,316k) which resulted in a profit for the financial year of £3,146k (2018 (restated): profit £563k). The Company was in a net asset position of £6,720k (2018 (restated): £3,574k).

The Directors do not recommend paying dividends for the year ended 31 December 2019 (2018: £nil).

Charitable and political contributions

There were no charitable or political contributions made during the year (2018: £nil).

Statement of directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements 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.

The Directors 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.

Colt Data Centre Services UK Limited

Directors' Report (continued)

For the year ended 31 December 2019

Disclosure of information to auditors

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

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Likely future developments

The Company's future developments are integrated with the strategy of the Group and are not managed separately. Details of the future strategy of the Group can be found in the consolidated Group Annual Report which does not form part of this report. The Group Annual Report is available from the Company's registered office. The address of its registered office is Colt House, 20 Great Eastern Street, London, England, EC2A 3EH.

Financial risk management objectives and policies

Liquidity risk

There is an exposure to liquidity risk if the Company does not have sufficient funds to meet its liabilities. This is mitigated by the Company through financing its operations through intercompany balances to ensure that the Company has sufficient funds available for current operations and future activities.

Credit risk

No material exposure is considered to exist in respect of intercompany loans.

Interest rate risk

Intercompany loans are not interest bearing. No material exposure is therefore considered to exist.

Foreign currency risk

No material exposure is considered to exist in respect of foreign currency risk.

Qualifying third party indemnity provisions for the benefit of Directors

The Company has provided an indemnity for its Directors and the secretary during the year, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006 and remains in force at the date of this report.

Going concern

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of Colt Group Holdings Limited. The Directors have received confirmation that Colt Group Holdings Limited intends to support the Company for at least 13 months from the date that these financial statements are approved.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the next Annual General Meeting.

On behalf of the board

DocuSigned by:

Richard Tillbrook

Richard Tillbrook

Director

27 November 2020

Independent auditors' report to the members of Colt Data Centre Services UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Colt Data Centre Services UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 December 2019; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

~~This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.~~

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Jonathan Sturges (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 November 2020

Colt Data Centre Services UK Limited
Statement of Comprehensive Income
For the year ended 31 December 2019

	Note	2019 £'000	Restated* 2018 £'000
Turnover	4	20,649	15,551
Cost of sales		(13,569)	(11,729)
Gross profit		<u>7,080</u>	<u>3,822</u>
Administrative expenses		(3,075)	(1,943)
Profit before taxation	7	<u>4,005</u>	<u>1,879</u>
Tax on profit	8	(859)	(1,316)
Profit for the financial year		<u><u>3,146</u></u>	<u><u>563</u></u>

*See *Restatement due to prior period error* under the basis of preparation note

The accompanying notes on page 10 to page 18 are an integral part of the financial statements.

Colt Data Centre Services UK Limited

Balance Sheet

As at 31 December 2019

	Note	2019 £'000	Restated* 2018 £'000
Fixed assets			
Investments	9	-	-
Tangible assets	10	<u>88,494</u>	<u>90,696</u>
Current assets			
Debtors	11	10,799	5,951
Creditors: amounts falling due within one year	12	<u>(87,269)</u>	<u>(88,628)</u>
Net current liabilities		<u>(76,470)</u>	<u>(82,677)</u>
Total assets less current liabilities		12,024	8,019
Deferred tax liabilities	8	(5,304)	(4,445)
Net assets		<u><u>6,720</u></u>	<u><u>3,574</u></u>
Capital and reserves			
Called up share capital	13	-	-
Retained earnings		<u>6,720</u>	<u>3,574</u>
Total shareholders' funds		<u><u>6,720</u></u>	<u><u>3,574</u></u>

*See *Restatement due to prior period error* under the basis of preparation note

The accompanying notes on page 10 to page 18 are an integral part of the financial statements.

The financial statements on pages 7 to 18 were approved by the Board of Directors on 27 November 2020 and were signed on its behalf by:

DocuSigned by:

Richard Tilbrook

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Richard Tilbrook
Director

Colt Data Centre Services UK Limited

Registered number: 07306352

Colt Data Centre Services UK Limited
Statement of Changes in Equity
For the year ended 31 December 2019

	Called up share capital	Restated* Retained earnings	Restated* Total shareholders' funds
	£'000	£'000	£'000
At 1 January 2018	-	6,734	6,734
Restatement*	-	(3,723)	(3,723)
At 1 January 2018 (restated)	-	3,011	3,011
Profit for the financial year	-	563	563
At 31 December 2018	-	3,574	3,574
Profit for the financial year	-	3,146	3,146
At 31 December 2019	-	6,720	6,720

*See *Restatement due to prior period error* under the basis of preparation note

The accompanying notes on page 10 to page 18 are an integral part of the financial statements.

Colt Data Centre Services UK Limited

Notes to the financial statements

for the year ended 31 December 2019

1. General Information

The Company's principal activity is to provide data centre services enabling customers to store their infrastructure and information in a safe and secure way within the Group comprising Colt Group Holdings Limited and its subsidiaries ("the Group").

The Company is a private company limited by shares and is incorporated and registered in England and Wales, United Kingdom. The address of its registered office is Colt House, 20 Great Eastern Street, London, EC2A 3EH.

Colt Group Holdings Limited is a company incorporated and registered in England and Wales, United Kingdom. Its ultimate parent company is SHM Lightning Investors LLC ('SLI') a company incorporated in the United States of America (refer to note 15). The address of the Colt Group Holdings Limited's registered office is Colt House, 20 Great Eastern Street, London, England, EC2A 3EH.

These financial statements are for the financial year beginning 1 January 2019 and ended on 31 December 2019.

2. Statement of Compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Summary of significant accounting policies

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

Basis of preparation

The financial statements are prepared under the historical cost convention.

Restatement due to prior period error:

The Company rents data hall space from another group entity. Prior year balances have been restated to more appropriately reflect the underlying intercompany agreements. 2018 opening retained earnings has decreased by £3,723k and cost of sales for 2018 have increased by £2,215k. Creditors: amounts falling due within one year have increased by £5,938k as at 31 December 2018. 2018 Net assets have decreased by £5,938k and net profit has decreased by £2,215k. There has been no change to tax for 2018.

Going concern

The Directors believe that it is appropriate for the financial statements to be prepared on a going concern basis, given the financial support being provided by Colt Group Holdings Limited, to enable the Company to meet its financial liabilities as they fall due for the next 13 months from the date of approval of the Company's financial statements.

Impact of Covid-19 on going concern

Colt continues to closely monitor the situation regarding Covid-19 from both Health and Safety and Business Continuity perspectives. The majority of Colt locations have enforced a mandatory work from home ('WFH') policy for all staff, except for a minimal group that are approved as needing to access sites in order to perform critical tasks. Substantially all international travel has been banned and local travel restricted to essential services only.

Colt continues to work closely with its customers and suppliers, and does not foresee significant obstacles in fulfilling customer service agreements and maintaining its supply chain.

In the first three quarters of 2020, we have seen a strong demand for Voice revenue, alongside decreases in travel related costs and capital expenditure. In terms of cash flow, Colt Group has a strong cash position, is effectively managing its working capital position and has the ability to draw down from its €430.0m Revolving Credit Facility ('RCF') from a related-party company as required.

Colt Data Centre Services UK Limited

Notes to the financial statements (continued)

for the year ended 31 December 2019

Going concern (continued)

At present, given the uncertainty surrounding this global pandemic, it is difficult to understand fully the longer term economic impact for 2020 and 2021. But what we do see is that due to the Covid-19 crisis and the impact it has to the way of working worldwide, there is a general increase in demand for voice traffic and high capacity connections which enable homeworking. Next to this Colt foresees an acceleration in regards to cloud migrations and a willingness to move critical workloads into the cloud.

Therefore, Colt management does not believe that the COVID-19 pandemic poses a material uncertainty to Colt based on the above considerations.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of the following exemptions:

- i. from preparing a Statement of Cash Flows, under paragraph 1.12(b), on the basis that it is a qualifying entity and the parent company of the Colt Group, Colt Group Holdings Limited, includes the Company's cash flows in its consolidated financial statements.
- ii. from disclosing related party transactions within the Colt Group, under paragraph 33.1A, on the grounds that it is a wholly owned subsidiary of a group headed by Colt Group Holdings Limited.
- iii. from disclosing key management personnel compensation, under paragraph 1.12(e).

Consolidated financial statements

The financial statements contain information about Colt Data Centre Services UK Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its intermediate parent Colt Group Holdings Limited, a Company incorporated in the United Kingdom. Refer to note 15 for further details on the ultimate parent Company and controlling party of the Company.

Turnover

Turnover represents amounts earned for services provided to customers (net of value added tax and discounts). The Company typically have fixed price contracts which are invoiced on a monthly or quarterly basis. For these contracts, the Company has a right to consideration from a customer in an amount that corresponds directly with the value delivered by the entity's performance obligations completed to date. Turnover from data centre services is recognised on a straight-line basis over the initial contract term of the data centre agreement.

Cost of sales

Cost of sales includes direct operational costs and depreciation of data centre infrastructure and equipment.

Capitalised labour

The Company does not have any active employees. The costs of employees of other Group companies who work on the construction of the Company's fixed assets are recharged to the Company and shown within additions to fixed assets.

Foreign currencies

The Company's functional and presentation currency is sterling.

Transactions denominated in foreign currencies are translated at the rate prevailing at the time of the transaction. Monetary assets and liabilities are translated at the year-end rate. All foreign exchange transactions relate to trading activities and are taken to the Statement of Comprehensive Income when they arise (within administrative expenses).

Colt Data Centre Services UK Limited

Notes to the financial statements (continued)

for the year ended 31 December 2019

Tangible fixed assets and depreciation

Tangible fixed assets are recorded at historical cost less accumulated depreciation and any accumulated impairment losses. Data centre infrastructure and equipment comprises assets purchased and built, at cost, together with capitalised labour which is directly attributable to the cost of construction.

Depreciation is calculated to write off the cost less estimated residual values of tangible fixed assets on a straight-line basis over their expected economic lives as follows:

Data Centre infrastructure and equipment	5% - 20% per annum
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Depreciation of data centre infrastructure and equipment commences from the date it becomes operational. Borrowing costs related to the purchase of fixed assets are not capitalised. The assets' useful lives are reviewed and adjusted if appropriate at each balance sheet date.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Debtors

Debtors are shown at their book value less any impairment provision.

Impairment

Investments and debtors are reviewed for impairment whenever events or changes in circumstances indicate that carrying amounts may not be recoverable.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future discounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current and deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. 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.

(ii) Deferred tax

Deferred tax is provided in full on all timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Colt Data Centre Services UK Limited

Notes to the financial statements (continued)

for the year ended 31 December 2019

Financial instruments

The company has adopted Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including debtors, are recognised at transaction price, unless the arrangement constitutes a financing transaction and the effect of discounting is material, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Comprehensive Income.

The Company performs ongoing reviews of the bad debt risk within its debtors and makes provisions to reflect its views of the financial condition of its customers and their ability to pay in full for amounts owing for services provided. Estimates which are based on historical experience are used in determining the level of debts that are not expected to be collected.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including creditors and loans from fellow group companies, are recognised at transaction price, unless the arrangement constitutes a financing transaction and the effect of discounting is material, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

At the end of each reporting period the amortised cost is re-assessed taking into account the future expected cash flows of the asset. Any difference between the carrying amount of the financial liability and the previous carrying amount is recognised in the Statement of Comprehensive Income.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Colt Data Centre Services UK Limited

Notes to the financial statements (continued)

for the year ended 31 December 2019

Critical judgements in applying the entity's accounting policies

No significant accounting judgements have been applied in these financial statements.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events indicate that the carrying value may be impaired.

Impairment indicators include both internal and external factors. Examples of internal factors include analysing performance against budgets and assessing absolute financial measures for indicators of impairment. Examples of external considerations assessed for indications of impairment include wider economic factors such as economic growth rates.

Where impairment indicators are present, the recoverable amounts of assets are measured. Asset recoverability requires assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of uncertain matters. In particular, management has regard to assumptions in respect of revenue mix and growth rates, EBITDA margins, timing and amount of capital expenditure, long-term growth rates and the selection of appropriate discount rates.

The recoverable amount remains sensitive to changes in discount rates, long term growth rates and performance of the Company.

4. Turnover

The Company operates in a single business segment, a data centre in Welwyn Garden City. Turnover is classified as data centre services.

5. Employee information

The Company did not have any employees in the year (2018: nil).

6. Directors' emoluments

The emoluments of the Directors are not paid to them in their capacity as Directors of the Company and are payable for services wholly attributable to other Colt Group Holdings Limited subsidiary undertakings (2018: £nil). Accordingly, no details in respect of their emoluments have been included in these financial statements. During the year there were no Directors (2018: £nil) who exercised share options in the ordinary shares of the ultimate parent company.

7. Profit before taxation

	2019	Restated*
	£'000	2018 £'000
Profit before taxation is stated after charging:		
Operating lease costs	3,449	3,363
Depreciation	7,500	6,371

*See *Restatement due to prior period error* under the basis of preparation note

Audit fees of £12.4k (2018: £9.4k) relating to the audit of Colt Data Centre Services UK Limited for the year ended 31 December 2019 have been paid by another group company and are not recharged to the Company.

Colt Data Centre Services UK Limited

Notes to the financial statements (continued)

for the year ended 31 December 2019

8. Tax on profit

a) Analysis of tax charge in the year

There is no current tax charge arising in the years ended 31 December 2019 and 2018, as the Company has surrendered group relief in 2019 (surrendered group relief in 2018).

	2019 £'000	2018 £'000
Deferred tax		
Origination and reversal of timing differences	867	1,324
Adjustments in respect of prior periods	(8)	(8)
Total tax expense	<u>859</u>	<u>1,316</u>

b) Reconciliation of tax charge for the year

The tax assessed on the profit before taxation for the year is different from the standard affective rate of corporation tax in the UK of 19.00% (2018: 19.00%) as a result of the following factors, this is consistent with the treatment of 2018:

	2019 £'000	Restated* 2018 £'000
Profit before taxation	4,005	1,879
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	761	357
Effects of:		
Non-taxable or non-deductible items for tax purposes	3	423
Capital allowance in excess of depreciation	(969)	(1,479)
Origination and reversal of deferred tax liability	859	1,316
Group relief surrendered for nil payment	205	699
Total tax charge for the year	<u>859</u>	<u>1,316</u>

*See *Restatement due to prior period error* under the basis of preparation note

c) Provision for deferred tax

	2019 £'000	2018 £'000
At 1 January	4,445	3,129
Origination and reversal of timing differences	867	1,324
Adjustment in respect of prior periods	(8)	(8)
At 31 December	<u>5,304</u>	<u>4,445</u>

The deferred tax liability consists of:

	2019 £'000	2018 £'000
Accelerated capital allowances	5,304	4,445
At 31 December	<u>5,304</u>	<u>4,445</u>

In the valuation of the deferred tax liability at 31 December 2019, a tax rate of 17% (2018: 17%) has been used.

Colt Data Centre Services UK Limited

Notes to the financial statements (continued)

for the year ended 31 December 2019

8. Tax on profit (continued)

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020.

Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporation tax rate from 19% to 17%. This announcement does not constitute substantive enactment and therefore deferred taxes at the balance sheet date continue to be measured at the enacted tax rate of 17%. However, on 11 March 2020, it was announced that the UK corporation tax rate would remain at 19% from 1 April 2020 as opposed to the proposed reduction to 17% and this change would be accounted in financial year 2020.

9. Investments

	2019 £000	2018 £000
Cost		
As at 1 January	-	-
Additions (see below)	-	-
As at 31 December	-	-
Impairment		
As at 1 January and 31 December	-	-
Net book value		
As at 31 December	-	-

On 23 April 2019, the Company acquired a 50% share in Colt DCS India LLP, a limited liability partnership firm for a contribution of INR 500.

The Company has assessed if there are any indicators of impairment of the investment in the subsidiaries as at 31 December 2019.

Based on the assessment performed no such indicators were identified. The assessment, amongst other factors, considers the net assets of the subsidiary, including the group headed by the subsidiary, and the payback period within which the company would be able to recover the value of investment based on current and projected levels of earnings.

Details of the Company's interests in fixed asset investments are set out below:

Name of undertaking	Country of incorporation	Principal Activity	Registered office	Shareholding
Colt DCS India LLP	India	Telecommunications and Internet service provider	602, Thawar Apartment, Main Carter Road No.5, Borivali (East), Mumbai, Mumbai City, Maharashtra, 400066, India	50%

The Directors believe that the book value of investments is supported by their underlying assets.

Colt Data Centre Services UK Limited

Notes to the financial statements (continued)

for the year ended 31 December 2019

10. Tangible assets

	2019 £'000	2018 £'000
Cost		
As at 1 January	110,298	88,196
Transfers from Group Companies	5,298	22,157
Disposals	(38)	(55)
As at 31 December	115,558	110,298
Accumulated depreciation		
As at 1 January	19,602	13,286
Charge for the year	7,500	6,371
Disposals	(38)	(55)
As at 31 December	27,064	19,602
Net book value		
As at 31 December	88,494	90,696

Tangible assets relate to Data Centre infrastructure and equipment.

11. Debtors

	2019 £'000	2018 £'000
VAT receivable	696	220
Prepayments and Accrued Income	10,103	5,731
	10,799	5,951

12. Creditors: amounts falling due within one year

	2019 £'000	Restated* 2018 £'000	Restated* 2017 £'000
Trade Creditors	3	5	-
Amounts owed to Colt Technology Services (fellow subsidiary)	48,706	56,859	44,143
Amounts owed to Spire Technology Welwyn Limited Partnership (fellow subsidiary)	38,560	31,764	26,027
	87,269	88,628	70,170

*See *Restatement due to prior period error* under the basis of preparation note.

Amounts owed to fellow subsidiary undertakings are unsecured, interest free and have no fixed date of repayment.

13. Called up share capital

	2019 £'000	2018 £'000
Authorised		
100 (2018: 100) ordinary shares of £1 each	-	-
Allotted, called up and fully paid		
100 (2018: 100) ordinary shares of £1 each	-	-

Colt Data Centre Services UK Limited

Notes to the financial statements (continued)

for the year ended 31 December 2019

14. Operating Lease commitments

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2019 £'000	Restated* 2018 £'000	Restated* 2017 £'000
	Land and buildings	Land and buildings	Land and buildings
Payments due			
Not later than one year	2,928	2,843	2,695
Later than one year and not later than five years	12,619	12,251	11,894
After more than five years	44,628	47,924	51,124
	<u>60,175</u>	<u>63,018</u>	<u>65,713</u>

*See *Restatement due to prior period error* under the basis of preparation note

The Company had the following future minimum future aggregate minimum lease receipts under non-cancellable operating leases for each of the following periods:

	2019 £'000	2018 £'000
Receipts due		
Within one year	20,648	19,426
Between one and five years	68,939	73,961
More than five years	109,430	125,056
	<u>199,017</u>	<u>218,443</u>

15. Ultimate parent company and controlling party

The immediate parent company Colt Telecom Luxembourg S.à r.l., a company incorporated and registered in Luxembourg.

The ultimate parent Company and controlling party is SHM Lightning Investors LLC which is registered in the United States of America. SHM Lightning Investors LLC's financial statements are not publicly available.

The intermediary holding company is Colt Group Holdings Limited. Colt Group Holdings Limited is a private company limited by shares and is incorporated in the United Kingdom and registered in England and Wales. The address of its registered office is Colt House, 20 Great Eastern Street, London, England, EC2A 3EH.

16. Post balance sheet events

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity.

Colt continues to closely monitor the situation regarding Covid-19 from both Health and Safety and Business Continuity perspectives. Colt has enforced a mandatory work from home ('WFH') policy for all staff, except for a minimal group that are approved as needing to access sites in order to perform critical tasks. Substantially all international travel has been banned and local travel restricted to essential services only.

At this stage, there is no material impact on our business and results. We will continue to follow the various national institutes policies and advice and in parallel will do our utmost to continue our operations in the best and safest way possible without jeopardizing the health of our people.