

Annual Report and Financial Statements Datum Datacentres Limited

For the year ended 31 December 2018



Registered number: 07954217

Company Information

Directors	M Fowle P Morris J Jones D Phillips
Company secretary	P Howard
Registered number	07954217
Registered office	Cody Technology Park Old Ively Road Farnborough GU14 0LX
Independent auditor	Grant Thornton UK LLP Chartered Accountants 1020 Eskdale Road Winnersh Reading Berkshire RG41 5TS

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Directors' report

For the year ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Principal activity and business review

The principal activity of Datum Datacentres Limited is to provide colocation services as a Platform for Digital Transformation to a mix of Tier 1 Enterprise and Service Providers.

The directors were pleased that the business continued its growth during the year adding 12 new clients and importantly completing several important contract renewals for periods ranging from 3 to 10 years. Growth has been particularly impressive from the existing client and partner bases.

Recurring revenue increased by 21% from the previous year to £3.46m (2017 £2.86m) as occupancy in the datacentre increased. Earnings before interest, tax, depreciation and amortisation (EBITDA), the directors' principal measure of profit performance, improved to a positive £256k (2017 Loss - £19k) after excluding exceptional and group related expenses.

On a run rate basis Datum exited 2018 at a quarterly run rate which would equate to annual recurring revenue of £4.2m having entered the year at £3.1m. EBITDA performance has been similarly encouraging exiting the year at a positive quarterly run rate EBITDA which would equate to £420k on an annual basis. We expect both metrics to continue to progress.

With an established position as a premium provider at a competitive price point Datum is well placed to continue to grow its client list of FTSE 250 and Fortune 500 clients.

The company is bank debt free with the principal debt item being a long-term loan note. Included in creditors falling due over 1 year are loan notes to the ultimate shareholders of £10.2m plus accrued interest. These are a long-term loan note instrument with a repayment date of 2036. Interest on these loans accrues at 15% and is not payable in cash and will accrue until repayment of the loan notes.

These loans notes are listed and therefore the audit report requirements are needed to be more detailed than in previous years.

The company had cash reserves of £1.1m at the 31 December 2018 (2017 £1.1m).

Directors

The directors who served during the year were:

M Fowle
P Morris
J Jones
D Phillips

The company purchased and throughout the year, maintained appropriate insurance cover in respect of Directors' and Officers' liabilities.

Directors' report

For the year ended 31 December 2018

Going concern

The directors have a reasonable expectation, consistent with their forecasting procedures and the repayments due on the various loans within the group, that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Consequently, they continue to adopt the going concern basis in preparation of the annual report and accounts.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed 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 ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' report

For the year ended 31 December 2018

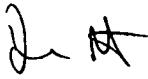
Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



D Phillips
Director

Date: 23-05-2019

Independent auditor's report to the shareholders of Datum Datacentres Limited

Independent auditor's report to the members of Datum Datacentres Limited

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Datum Datacentres Limited (the 'company') for the year ended 31 December 2018, which comprise the profit and loss account, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, 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 have nothing to report in respect of the following matters in relation to which the 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.

Overview of our audit approach



- Overall materiality: £114,000, which represents approximately 2% of the company's fixed assets and 3% of the company's revenues;
- Key audit matters were identified as:
 - the risk that non-recurring revenue and revenues from new customers might be misstated due to improper revenue recognition; and
 - the risk that the carrying value of the company's fixed assets, primarily the datacentre, exceeds the recoverable amount at year end due to the datacentre requiring impairment
- To address these key audit matters and other identified risks the company was subject to a full UK statutory audit.
- As detailed on page 4, we ultimately issued an unmodified audit opinion on the financial statements.

Independent auditor's report to the shareholders of Datum Datacentres Limited (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit	Key observations
<p>Risk 1 - Non-recurring revenue and revenues from new customers might be misstated</p> <p>There is a risk that non-recurring revenue transactions, i.e. deploy revenue, and revenues from new customers in the year may be misstated due to the improper recognition of the revenue.</p> <p>We consider this a matter requiring auditor attention due to the management judgements involved in implementing first year contract transactions and the potential incentive to recognise the revenue earlier than earned. We therefore identified the risk as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> • Obtaining a copy of management's revenue recognition policy and assessing its criteria in line with FRS 102 Section 23; • Agreeing a sample of new orders in the year back to customer contract and invoicing, challenging management's judgement on timing of revenue recognition by agreeing the timing of installations to said supporting documentation and ensuring recognition was in line with FRS 102; • Recalculating expected deferred revenue on a sample of revenue transactions recognised through the year, ensuring revenue recognition was in line with FRS 102; and • Obtaining a list of credit notes raised in the first two months following the year end and recalculating any potential impact on 2018 recognised revenue. <p>The company's accounting policy on revenue is shown in note 2.3 to the financial statements.</p>	<p>We noted that management's revenue policy is in line with FRS 102.</p> <p>No significant findings have been noted from our testing performed on one-off revenue transactions and new contracts as detailed in this table.</p>
<p>Risk 2 - Carrying value of the fixed assets, primarily the datacentre might be impaired</p> <p>There is a risk that the carrying value of the company's fixed assets, primarily the datacentre, exceeds the recoverable amount at year end due to the datacentre requiring impairment.</p> <p>We consider this a matter requiring attention due to the management judgements involved and potential incentive to carry the data centre at above its recoverable amount. We therefore identified the risk as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> • Obtaining a copy of management's depreciation policy and assessing its policy is in line with FRS 102 Section 17; • Obtaining from management their assessment that there is no indicator of impairment based upon a recent open market offer for the business which demonstrates the recoverable amount exceeds the carrying value of the datacentre at the year end, and corroborating this assessment to supporting documentation. <p>The company's accounting policy on fixed assets is shown in note 2.4 to the financial statements and related disclosures are included in note 7.</p>	<p>We noted that management's depreciation policy is in line with FRS 102.</p> <p>No significant findings have been noted from our testing performed on fixed assets as detailed in this table.</p>

Independent auditor's report to the shareholders of Datum Datacentres Limited (continued)

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the financial statements as a whole to be £114,000, which is approximately 2% of the company's fixed assets and 3% of the company's revenue. These benchmarks are considered the most appropriate because of the significant early stage investment in fixed assets establishing the design and construction of the data centre, along with growing revenues being a key metric for management.

Materiality for the current year is lower than the level that we determined for the year ended 31 December 2017 to reflect a revised assessment of the most appropriate materiality benchmarks which is reflected above.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality.

We determined the threshold at which we will communicate misstatements to the audit committee to be £5,700. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the company's business, its environment and risk profile and in particular included:

- the performance of a full scope audit including an interim and fieldwork site visit;
- an evaluation of the company's internal controls environment including its IT systems and controls

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 this regard.

Our opinion on other matters prescribed by the Companies Act 2006 are unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Independent auditor's report to the shareholders of Datum Datacentres Limited (continued)

Matter on which we are required to report under the Companies Act 2006

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 material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 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
- 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 2, 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.



Steven Cenci FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Reading

Date: 23/5/2019

Profit and loss account

For the year ended 31 December 2018

	2018 £000	2017 £000
	Note	
Turnover	3,824	3,186
Cost of sales	<u>(3,189)</u>	<u>(2,766)</u>
Gross profit	635	420
Operating expenses	(379)	(439)
EBITDA and associated group and exceptional expenses	256	(19)
Associated group expenses	(45)	(35)
Exceptional items	(71)	(47)
Depreciation on tangible fixed assets	(1,148)	(1,069)
Total administrative expenses	<u>(1,643)</u>	<u>(1,590)</u>
Operating loss	(1,008)	(1,170)
Interest payable and similar charges	6 (1,848)	(1,618)
Loss on ordinary activities before taxation	<u>(2,856)</u>	<u>(2,788)</u>
Loss for the year	<u>(2,856)</u>	<u>(2,788)</u>

There were no recognised gains and losses for 2018 or 2017 other than those included in the profit and loss account.

The notes on pages 11 to 21 form part of these financial statements.

Balance sheet

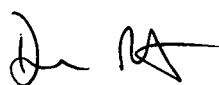
As at 31 December 2018

	Note	2018 £000	2017 £000
Fixed assets			
Tangible assets	7	5,726	6,700
		<u>5,726</u>	<u>6,700</u>
Current assets			
Debtors: amounts falling due within one year	8	1,753	1,977
Cash at bank and in hand	9	1,061	1,079
		<u>2,814</u>	<u>3,056</u>
Creditors: amounts falling due within one year	10	(2,452)	(2,651)
Net current assets		<u>362</u>	<u>405</u>
Total assets less current liabilities		<u>6,088</u>	<u>7,105</u>
Capital and reserves			
Called up share capital	15	1	1
Share premium account		5,963	5,963
Profit and loss account		(13,975)	(11,119)
		<u>(8,011)</u>	<u>(5,155)</u>
Creditors: amounts falling due after more than one year	11	<u>14,099</u>	<u>12,260</u>
Equity and long term liabilities		<u>6,088</u>	<u>7,105</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

D Phillips
Director



Date: 23-05-2019

The notes on pages 11 to 21 form part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2018

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2018	1	5,963	(11,119)	(5,155)
Comprehensive income for the year				
Loss for the year	-	-	(2,856)	(2,856)
Total comprehensive loss for the year	-	-	(2,856)	(2,856)
Shares issued during the year	-	-	-	-
At 31 December 2018	1	5,963	(13,975)	(8,011)

Statement of changes in equity

For the year ended 31 December 2017

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2017	1	5,963	(8,331)	(2,367)
Comprehensive income for the year				
Loss for the year	-	-	(2,788)	(2,788)
Total comprehensive loss for the year	-	-	(2,788)	(2,788)
Shares issued during the year	-	-	-	-
At 31 December 2017	1	5,963	(11,119)	(5,155)

The notes on pages 11 to 21 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2018

1. General information

Datum Datacentres Limited, registered number 07954217, is a private limited company limited by shares incorporated in England & Wales. Its registered office is located at Cody Technology Park, Farnborough, Hampshire, GU14 0LX.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

The financial statements are presented in Sterling (£) and rounded to the nearest thousand (£'000).

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The directors have reviewed the working capital requirements of the group for a period of at least 12 months from the anticipated date of signing of the financial statements and are satisfied that the company will be able to meet its liabilities as they fall due.

Recurring revenue increased by 21% from the previous year to £3.46m (2017 £2.86m) as occupancy in the datacentre increased. Earnings before interest, tax, depreciation and amortisation (EBITDA), the directors' principal measure of profit performance, improved to a positive £256k (2017 Loss - £19k) after excluding exceptional and group related expenses.

On a run rate basis Datum exited 2018 at a quarterly run rate recurring revenue of £4.2m having entered the year at £3.1m. EBITDA performance has been similarly encouraging exiting the year at a positive quarterly run rate EBITDA of £420k. We expect both metrics to continue to progress.

The company is bank debt free with the principal debt item being a long-term loan note. Included in creditors falling due over 1 year are loan notes to the ultimate shareholders of £10.2m plus accrued interest. These are a long-term loan note instrument with a repayment date of 2036

Notes to the financial statements

For the year ended 31 December 2018

2. Accounting policies (continued)

2.3 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Deployment revenues are recognised over the length of the set-up period on a percentage of completion basis. Recurring revenues are recognised on a straight-line basis, from a pre-defined date explicit in each contract, to the end of the contract. Flow through revenues are recognised in full once fulfilment has been achieved.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Repairs and maintenance are charged to the Profit and loss account during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Datacentre property equipment	- 10 years
Fixtures, fittings & equipment	- 3 - 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and loss account.

Notes to the financial statements

For the year ended 31 December 2018

2. Accounting policies (continued)

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Profit and loss account on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2016 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.8 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.9 Finance costs

Finance costs are charged to the Profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Leased assets: the Company as lessee

Assets obtained under hire purchase contract and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Notes to the financial statements

For the year ended 31 December 2018

2. Accounting policies (continued)

2.11 Sale and leaseback

Where a sale and leaseback transaction results in a finance lease, no gain is immediately recognised for any excess of sales proceeds over the carrying amount of the asset. Instead, the proceeds are presented as a liability and subsequently measured at amortised cost using the effective interest method.

When a sale and leaseback transaction results in an operating lease, and it is clear that the transition is established at fair value any profit or loss is recognised immediately. If the sale price is below fair value, any profit or loss is recognised immediately unless the loss is compensated for by the future lease payments at below market price. In that case any such loss is amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is amortised over the period for which the asset is expected to be used.

2.12 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.13 Interest income

Interest income is recognised in the Profit and loss account using the effective interest method.

2.14 Borrowing costs

All borrowing costs are recognised in the Profit and loss account in the year in which they are incurred.

Notes to the financial statements

For the year ended 31 December 2018

2. Accounting policies (continued)

2.15 Taxation

Tax is recognised in the Profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance sheet date.

2.16 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence. There is a total of £71k in Exceptional items for year 2018, of which £43k is in relation to planning permission for new Data Centre expansion and £28k is in relation to capital allowance, tax compliance and loan listing costs.

3. Directors' remuneration

	2018 £000	2017 £000
Directors' emoluments	211	193
Company pension contributions	6	6
	<u>217</u>	<u>199</u>

During the year retirement benefits were accruing to 1 director (2017 - 1) in respect of defined contribution pension schemes.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £5,900 (2017 - £5,716).

Notes to the financial statements

For the year ended 31 December 2018

4. Auditor's remuneration

	2018 £000	2017 £000
Fees payable to the company's auditor for the audit of the company's annual financial statements	<u>22</u>	<u>21</u>

The above fees also include audit fees paid on behalf of other group companies.

5. Employee numbers

The average monthly number of employees, including directors, during the year was 12 (2017 - 12).

6. Interest payable and similar charges

	2018 £000	2017 £000
Interest on loans with related parties	1,839	1,599
Finance leases and hire purchase contracts	9	19
	<u>1,848</u>	<u>1,618</u>

Notes to the financial statements

For the year ended 31 December 2018

7. Tangible fixed assets

	Datacentre property equipment £000	Fixtures, fittings & equipment £000	Total £000
Cost or valuation			
At 1 January 2018	10,533	602	11,135
Additions	24	150	173
At 31 December 2018	10,557	752	11,308
Depreciation			
At 1 January 2018	3,950	485	4,435
Charge for the period on owned assets	1,044	104	1,148
At 31 December 2018	4,994	589	5,583
Net book value			
At 31 December 2018	<u>5,563</u>	<u>163</u>	<u>5,726</u>
At 31 December 2017	<u>6,583</u>	<u>117</u>	<u>6,700</u>

The above amounts include assets held under finance leases amounting to £nil at cost (2017 - £212k). As the substance of the transaction is a secured loan, the asset has remained on the Balance sheet and the sale price reflected as a liability.

Notes to the financial statements

For the year ended 31 December 2018

8. Debtors

	2018 £000	2017 £000
Trade debtors	661	546
Other debtors	758	777
Prepayments and accrued income	334	350
Tax recoverable	-	304
	<u>1,753</u>	<u>1,977</u>

9. Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	1,061	1,079
	<u>1,061</u>	<u>1,079</u>

10. Creditors: Amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	355	440
Amounts owed to group undertakings	1,588	1,587
Other taxation and social security	81	25
Obligations under finance lease and hire purchase contracts	-	212
Accruals and deferred income	428	387
	<u>2,452</u>	<u>2,651</u>

Notes to the financial statements

For the year ended 31 December 2018

11. Creditors: Amounts falling due after more than one year

	2018 £000	2017 £000
Amounts due to related parties	14,099	12,260
	<u>14,099</u>	<u>12,260</u>

Amounts due to related parties comprise of loan notes to ultimate shareholders of £10.2m plus accrued interest. These are a long term loan note instrument with a repayment date of 2036. Interest on these loans accrues at 15% and is not payable in cash and will accrue until repayment of the loan notes.

12. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2018 £000	2017 £000
Within one year	-	212
Between 1-2 years	-	-
	<u>-</u>	<u>212</u>

Assets held under hire purchase contracts are secured against the assets to which they relate.

13. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £19,910 (2017 - £16,785). Contributions totalling £nil (2017 - £nil) were payable to the fund at the reporting date.

14. Financial instruments

At the year end, there were no financial assets or liabilities required to be disclosed under FRS 102 1AC.25.

Notes to the financial statements

For the year ended 31 December 2018

15. Share capital

	2018 £	2017 £
Shares classified as equity		
Allotted, called up and fully paid		
1,101- Ordinary share of £1 each	<u>1,101</u>	<u>1,101</u>

On 9 September 2016, 100 ordinary shares of £1 each were issued for an aggregate subscription price of £1,664,180.

On 9 September 2016, in consideration of the release of £4,300,000 of loan notes the company issued 1,000 ordinary shares of £1 each.

16. Reserves

Called-up share capital – represents the nominal value of shares that have been issued.

Share premium account – includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account – includes all current and prior period retained profits and losses.

17. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
1) Not later than 1 year	458,030	458,030
2) Later than 1 year but not later than 5 years	1,909,562	1,854,897
3) Later than 5 years	1,837,157	2,349,852
	<u>4,204,749</u>	<u>4,662,779</u>

Notes to the financial statements

For the year ended 31 December 2018

18. Related party transactions

The company has taken advantage of the exemption provided not to disclose transactions with fellow group undertakings controlled by Datum Topco Limited where 100% of the voting rights are controlled within the group.

Amounts due to related parties comprise £14,099m of loan notes due to shareholders and certain directors. Of the £14,099m loan notes £256,729 is due to directors, of which £33,486 is accrued interest. The loans have a 15% coupon rate and are repayable in 2036.

Key management personnel received approximately £242,997 for their services to the company in the year. Key management personnel was made of three individuals during the 2018 financial year.

19. Ultimate parent undertaking and controlling party

The immediate parent company is Amphora Topco Limited, a private limited company incorporated in the UK.

The ultimate parent company is Datum Topco Limited, a private limited company incorporated in the UK. No consolidated accounts are prepared as they comprise a small group.

The ultimate controlling party is Darwin Private Equity LLP which manages the majority of the shares in Datum Topco Limited.