

COLT DATA CENTRE SERVICES UK LIMITED

**Annual Report for the year ended
31 December 2021**

Registered number: 07306352



Colt Data Centre Services UK Limited

Strategic Report For the year ended 31 December 2021

The Directors present their Strategic Report on the Company for the year ended 31 December 2021.

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 in Welwyn Garden City and West London. The site located in West London was transferred to Colt Data Centre Services UK Limited from Colt Technology Services UK during the year. 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 year ended 31 December 2021. The ultimate parent entity is SHM Lightning Investors LLC ("SLI") incorporated in the United States of America. Refer to note 16.

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 Group Annual Report is available from the Company's registered office. Refer to note 16.

Impact of Ukraine conflict

In light of the conflict in Ukraine and related changes to UK and EU Sanctions Lists, in March 2022 Colt created a Groupwide Sanctions Committee. The Sanctions Committee's remit is to decide on the applicability of sanctions regimes to Colt, as well as to take decisions about any individual sanctioned customer or sanctioned supplier contracts. The Groupwide Authorities Matrix has been updated to reflect the creation and authority of the Sanctions Committee. The Sanctions Committee decisions are reported to the Company, as and when such decisions are taken. This conflict, and resulting decisions of the Sanctions Committee, have not had any material impact to this entity

Review of the financial performance and key performance indicators

The profit before taxation was £2,477k (2020: profit £6,253k). The charge for taxation was £2,072k (2020: £1,247k) which resulted in a profit for the financial year of £1,115k (2020: profit £5,006k). The Company was in a net asset position of £17,510k (2020 : £16,395k).

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

29 September 2022

Colt Data Centre Services UK Limited

Directors' Report For the year ended 31 December 2021

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2021.

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 (Resigned on 31 March 2022)

Kevin Kearns (Resigned on 31 May 2022)

Richard Tilbrook

Niclas Sanfridsson

Marta Aguiriano Perez (Appointed on 1 April 2022)

David Crowther (Appointed on 6 June 2022)

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

N Ramasamy

Results & Dividends

The profit before taxation was £2,477k (2020: profit £6,253k). The charge for taxation was £2,072k (2020: £1,247k) which resulted in a profit for the financial year of £1,115k (2020: profit £5,006k). The Company was in a net asset position of £17,510k (2020 : £16,395k).

The Directors do not recommend paying dividends for the year ended 31 December 2021 (2020: £nil).

Charitable and political contributions

There were no charitable or political contributions made during the year (2020: £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, 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 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 For the year ended 31 December 2021 (continued)

Statement of directors' responsibilities (continued)

The directors are also 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.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is 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 a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

The Group operates a centralised treasury function, the prime objective of which is to optimise the return on Group's cash balances and to manage the working capital requirements of the Group.

Liquidity and interest rate risk

The Group raises equity and borrowings centrally and on-lends these to its subsidiaries. All of the Group's borrowings are with a related-party company and have a variable interest rate.

No material risk exposure is considered to exist in respect of credit risk or foreign exchange 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.

Colt Data Centre Services UK Limited

Directors' Report For the year ended 31 December 2021 (continued)

Streamlined Energy and Carbon Reporting ('SECR')

Details of our SECR on greenhouse gas ('GHG') emissions pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implement the government's policy on Streamlined Energy and Carbon Reporting can be found in the consolidated Group annual report for the year ended 31 December 2021. The Group annual report is available from the Company's registered office, as set out in note 16 to the financial statements.

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 Tilbrook

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Richard Tilbrook

Director

29 September 2022

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 2021 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: Balance Sheet as at 31 December 2021; 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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

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

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 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, 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.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to telecommunications industry specific legislation and regulation which could result in penalties for non-compliance, or limitation or withdrawal of company's authorisation to operate and taxation legislation relevant to the company's operations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and potential management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Enquiries with management those charged with governance, internal audit, the fraud risk team, internal legal counsel, the tax team and the regulatory team around actual and potential litigation and claims, as well as any instances of non-compliance with laws, regulations or fraud;
- Assessment of matters reported to the company's internal whistleblower helpline;
- Reviewing internal audit reports;
- Auditing the risk of management override of controls through identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and evaluating the business rationale of significant transactions outside the normal course of business; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulation.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

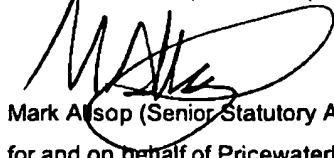
Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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.



Mark Alsop (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

29 September 2022

Colt Data Centre Services UK Limited

Statement of Comprehensive Income For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Turnover	4	45,810	37,023
Cost of sales		<u>(31,710)</u>	<u>(29,300)</u>
Gross (loss)/profit		14,100	7,723
Administrative expenses		(24,693)	(13,736)
Other operating income		<u>13,070</u>	<u>12,266</u>
Profit before taxation	7	2,477	6,253
Tax on profit	8	<u>(1,362)</u>	<u>(1,247)</u>
Profit for the financial year		<u>1,115</u>	<u>5,006</u>

The accompanying notes on page 11 to page 21 are an integral part of the financial statements.

Colt Data Centre Services UK Limited

Balance Sheet As at 31 December 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Tangible assets	10	90,140	86,331
Current assets			
Debtors	11	102,609	10,514
Cash and bank and in hand		153	-
Creditors: amounts falling due within one year	12	(164,291)	(73,071)
Net current liabilities		<u>(61,529)</u>	<u>(62,557)</u>
Total assets less current liabilities		28,611	23,774
Creditors: amounts falling due after more than one year	12	(643)	(446)
Provisions for liabilities	13	(2,163)	-
Deferred tax liabilities	8	(8,295)	(6,933)
Net assets		<u>17,510</u>	<u>16,395</u>
Capital and reserves			
Called up share capital	14	-	-
Retained earnings		17,510	16,395
Total shareholders' funds		<u>17,510</u>	<u>16,395</u>

The accompanying notes on page 12 to page 21 are an integral part of the financial statements.

The financial statements on pages 9 to 21 were approved by the Board of Directors on 29 September 2022 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 2021

	Called up share capital	Retained earnings	Total shareholders' funds
	£'000	£'000	£'000
At 1 January 2020	-	11,389	11,389
Profit for the financial year	-	5,006	5,006
At 31 December 2020	-	16,395	16,395
Profit for the financial year	-	1,115	1,115
At 31 December 2021	-	17,510	17,510

The accompanying notes on page 11 to page 20 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 2021

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 2021 and ended on 31 December 2021.

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.

Disclosure restatement:

Prior year leases disclosure is re-stated due to incorrect amounts being presented in the ageing breakdown of minimum future lease receipts and payments. Please refer note 15.

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.

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).

Colt Data Centre Services UK Limited

Notes to the financial statements for the year ended 31 December 2021

3. Summary of significant accounting policies (continued)

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 management team of Data Centre Services made a decision with an effective date of 1 January 2020 to transfer the costs of UK Data Centre Services (DCS) staff from Colt Technology Services to Colt Data Centre Services. This change was made as UK based employees have broadened the range of services that they are providing to external customers and other Colt affiliates, particularly in relation to construction of new data centres in Germany, Japan and India. The change of entity was required to facilitate clearer internal management recharges and reflects that Colt's data centre business is being managed separately from the remainder of the Colt UK business. The transfer of employment contracts to Colt Data Centre Services UK was fully implemented on 1st April 2021.

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).

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.

Colt Data Centre Services UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

3. Summary of significant accounting policies (continued)

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.

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.

Colt Data Centre Services UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

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.

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.

Colt Data Centre Services UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

3. Summary of significant accounting policies (continued)

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.

Provisions and contingent liabilities

The Company's provisions are established based on its best estimate at the balance sheet date of the amounts necessary to settle existing obligations or commitments as of each balance sheet date. The Company's provisions for property and asset restoration are established based on its best estimate at the balance sheet date of the amounts necessary to settle existing obligations or commitments as of each balance sheet date. For all risks, the ultimate liability may vary from the amounts provided and will be dependent upon the eventual outcome of any settlement. An estimate is also required in assessing the timing of when a provision is recognised.

4. Turnover

The Company operates two UK data centres in the vicinity of London. Revenue contracts pertaining to Powergate site were transferred at 8th January 2021 as part of lease reassignment. Turnover is classified as data centre services.

5. Employee information

The Company had monthly average of 139 employees as at 31 December 2021 (2020: 124).

	2021 £'000	2020 £'000
Staff costs (for the above persons)		
Wages and salaries	16,018	11,549
Social security costs	2,023	1,601
Other pension costs	1,390	1,365
	<u>19,431</u>	<u>14,515</u>
Less: staff costs capitalised	(651)	(998)
	<u>18,780</u>	<u>13,517</u>

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 (2020: £nil). Accordingly, no details in respect of their emoluments have been included in these financial statements. During the year there were no Directors (2020: £nil) who exercised share options in the ordinary shares of the ultimate parent company.

Colt Data Centre Services UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

7. Profit before taxation

	2021 £'000	2020 £'000
Profit before taxation is stated after charging:		
Operating lease costs	7,060	8,003
Depreciation	8,190	7,845

Audit fees of £13.1k (2020: £12.7k) relating to the audit of Colt Data Centre Services UK Limited for the year ended 31 December 2021 have been paid by another group company and are not recharged to the Company.

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 2021 and 2020, as the Company has surrendered group relief in 2021 (surrendered group relief in 2021).

	2021 £'000	2021 £'000	2020 £'000	2020 £'000
UK corporation tax				
UK corporation tax on profits of the period	-	-	-	-
Adjustments in respect of previous periods	-	-	-	-
Double taxation relief	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Foreign tax				
Current tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax				
Origination and reversal of timing differences	38	-	658	-
Adjustments in respect of prior periods	(657)	-	589	-
Effect of change in tax rate on opening liability	1,981	-	-	-
Total tax expense	<u>1,362</u>	<u>1,362</u>	<u>1,247</u>	<u>1,247</u>

b) Reconciliation of tax charge for the year

The tax assessed on the profit for the year is different from the amount computed by applying the standard effective rate of corporation tax in the UK of 19.00% (2019:19.00%) as a result of the following factors:

	2021 £'000	2020 £'000
Profit before taxation	2,477	6,253
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	471	1,188
Effects of:		
Non-taxable or non-deductible items for tax purposes	7	1
Capital allowance in excess of depreciation	(674)	(589)
Origination and reversal of deferred tax liability	1,362	1,247
Other short term timing difference	645	0
Group relief surrendered for nil payment	(449)	(600)
Total tax charge for the year	<u>1,362</u>	<u>1,247</u>

Colt Data Centre Services UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

8. Tax on profit (continued)

c) Provision for deferred tax

	2021 £'000	2020 £'000
At 1 January	6,933	5,686
Origination and reversal of timing differences	2,019	658
Adjustment in respect of prior periods	(657)	589
At 31 December	<u>8,295</u>	<u>6,933</u>

The deferred tax liability consists of:

	2021 £'000	2020 £'000
Accelerated capital allowances	9,144	6,933
Other timing difference	(849)	-
At 31 December	<u>8,295</u>	<u>6,933</u>

On 23 September 2022, it was announced that the corporation tax rate change from 19% to 25% with effect from 1 April 2023 was to be cancelled. This was not substantively enacted at the balance sheet date and therefore the impact of this change is not reflected in the measurement of deferred tax. If the rate change had been substantively enacted prior to 31st December 2021 the impact would have been to reduce the deferred tax liability by £1,981K with a corresponding credit to the income statement.

9. Investments

	2021 £'000	2020 £'000
Cost		
As at 1 January	-	-
Additions (see below)	-	-
As at 31 December	<u>-</u>	<u>-</u>
Accumulated Impairment		
As at 1 January and 31 December	<u>-</u>	<u>-</u>
Net book value		
As at 31 December	<u>-</u>	<u>-</u>

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 2020.

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.

Colt Data Centre Services UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

9. Investments (continued)

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.

10. Tangible assets

	2021 £'000	2020 £'000
Cost		
As at 1 January	122,333	118,945
Additions	1,991	-
Transfers from Group Companies	10,008	3,520
Disposals	(301)	(132)
As at 31 December	134,031	122,333
Accumulated depreciation		
As at 1 January	36,002	28,289
Charge for the year	8,190	7,845
Disposals	(301)	(132)
As at 31 December	43,891	36,002
Net book value		
As at 31 December	90,140	86,331

Tangible assets relate to Data Centre infrastructure and equipment. Included in tangible assets is construction in progress amounting to £6,176k (2020: Nil).

11. Debtors

	2021 £'000	2020 £'000
Amount owed by Colt Technology Services GmbH (DE)	541	150
Amount owed by Colt Technology Services Group	86,387	-
Amount owed by Colt Technology Services France	114	-
Amount owed by Colt DCS Japan G.K	680	-
Amount owed by Colt Asia Japan	219	105
Amount owed by Colt DCS India LLP	255	140
Amount owed by Lux Group Holding	2,535	-
Other Debtors	157	184
VAT receivable	436	-
Prepayments and accrued income	11,285	9,935
	102,609	10,514

Colt Data Centre Services UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

12. Creditors

Amounts falling due within one year

	2021 £'000	2020 £'000
Trade Creditors	39	-
Deferred revenue	2,302	2,461
Amounts owed to Colt Technology Services (fellow subsidiary)	94,011	18,598
Amounts owed to Spire Technology Welwyn Limited Partnership (fellow subsidiary)	58,714	51,989
Amounts owed to Colt Technology Services Ireland (fellow subsidiary)	13	-
Amounts owed to Colt Technology Services Group (fellow subsidiary)	-	23
Accruals and deferred income	8,986	-
Other Creditors	226	-
	<u>164,291</u>	<u>73,071</u>

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

Amounts falling due after more than one year

	2021 £'000	2020 £'000
Accruals and deferred income	643	446
	<u>643</u>	<u>446</u>

13. Provision for liabilities

Property provision	2021 £'000	2020 £'000
At 1 January	-	-
Charge for the year	-	-
Charge relating to asset transfers from Group companies	2,282	-
Release for the year	(149)	-
Amortisation of discount	30	-
Utilised during the year	-	-
At 31 December	<u>2,163</u>	-

Provision for liabilities relates to asset retirement obligation in respect of a site located in West London. This site was historically leased by Colt Technology Services UK but was reassigned to CDCS during the year therefore the related provision is also transferred to CDCS. The provisions represent the net present value of the future estimated costs, with the unwinding of the discount included within the finance cost for the year. The amount payable is dependent on the latest estimates of future costs. The timing of payments can be impacted by factors including the timing of the exit of property leases and the timing of removal of data centre assets.

14. Called up share capital

	2021 £'000	2020 £'000
Authorised		
100 (2020: 100) ordinary shares of £1 each	-	-
Allotted, called up and fully paid		
100 (2020: 100) ordinary shares of £1 each	-	-

Colt Data Centre Services UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

15. Operating Lease commitments

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

	2021 £'000	Restated 2020 £'000
	Land and buildings	Land and buildings
Payments due		
Not later than one year	6,606	4,838
Later than one year and not later than five years	27,964	20,849
After more than five years	84,060	66,144
	118,630	91,831

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

	2021 £'000	Restated 2020 £'000
Receipts due		
Within one year	17,939	19,342
Between one and five years	61,549	64,774
More than five years	79,540	94,254
	159,028	178,370

Prior year is re-stated due to incorrect amounts presented in the ageing breakdown of minimum future lease receipts and payments.

16. 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.

17. Subsequent events

Subsequent to year end, as part of a group reorganisation and simplification strategy, certain data centre real estate assets including customer and supplier contracts were transferred from a limited number of Colt Group entities to the Company. The value of net assets transferred to the Company was in the region of £112m. Consistent with similar transactions within the Colt Group, these transfers took place at book value. In addition to this, revenue contracts were also transferred for the remaining CTS orders.

The invasion of Ukraine by Russia, as well as the sanctions targeting Russia, are post year-end close events with no impact on the recognition and measurement of assets and liabilities as of December 31, 2021. As of the date of issuing the financial statements for 2021, the entity's management is not aware of any significant uncertainties related to the current conflict that could have an impact on the activity of the year 2022.