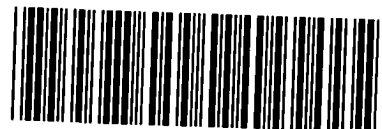


**SWITCH COMMUNICATIONS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2018**

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## SWITCH COMMUNICATIONS LIMITED

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### COMPANY INFORMATION

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<b>Directors</b>	PJ Bradford DC Philips MO Kirk AJ Moody JN Wilson SA Durnell TA Gordan M Holland MA Sensier
<b>Registered number</b>	02645307
<b>Registered office</b>	Glebe Farm Down Street Dummer Basingstoke RG25 2AD
<b>Independent auditors</b>	Grant Thornton UK LLP Chartered Accountants 5 Benham Road Southampton Science Park Chilworth Southampton SO16 7QJ

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**SWITCH COMMUNICATIONS LIMITED**

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<b>Balance Sheet</b>	7
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## SWITCH COMMUNICATIONS LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

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The Directors present their report and the financial statements for the year ended 31 March 2018.

#### Principal activity

The principal activity of the company is the provision of managed data, connecting people with technology, systems and clouds. The company provides strategic business partnerships for both data and voice technology, delivering solutions that meet and anticipate the technology and IT needs of the businesses.

#### Directors

The Directors who served during the year were:

PJ Bradford  
DC Philips  
MO Kirk  
AJ Moody  
JN Wilson  
SA Durnell  
TA Gordan  
M Holland  
MA Sensier

#### Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

#### Auditors

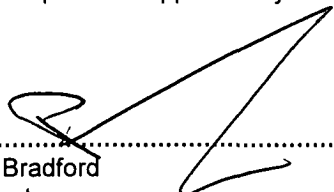
During the year, Moore Stephens LLP resigned from office and the Directors appointed Grant Thornton UK LLP in their place.

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.

  
.....  
PJ Bradford  
Director

Date: 21-11-18

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**SWITCH COMMUNICATIONS LIMITED**

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**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2018**

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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 to 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.

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## SWITCH COMMUNICATIONS LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SWITCH COMMUNICATIONS LIMITED

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#### Opinion

We have audited the financial statements of Switch Communications Limited (the 'company') for the year ended 31 March 2018 which comprise the Statement of Income and Retained Earnings, the Balance Sheet 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 March 2018 and of its profit 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, 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.

#### Who we are reporting to

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.

#### 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.

#### 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.

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## SWITCH COMMUNICATIONS LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SWITCH COMMUNICATIONS LIMITED

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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.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

#### **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.

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SWITCH COMMUNICATIONS LIMITED

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SWITCH COMMUNICATIONS  
LIMITED

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**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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



Norman Armstrong BSc FCA (Senior statutory auditor)  
for and on behalf of  
Grant Thornton UK LLP  
Statutory Auditor  
Chartered Accountants  
Southampton

Date: 23/11/18



SWITCH COMMUNICATIONS LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £	2017 £
Turnover	4	7,451,035	6,078,110
Cost of sales		(3,472,210)	(3,160,080)
<b>Gross profit</b>		<b>3,978,825</b>	<b>2,918,030</b>
Administrative expenses		(2,258,330)	(2,118,915)
<b>Operating profit</b>	5	<b>1,720,495</b>	<b>799,115</b>
Interest receivable and similar income		698	1,195
<b>Profit before tax</b>		<b>1,721,193</b>	<b>800,310</b>
Tax on profit	9	3,167	(15,961)
<b>Profit after tax</b>		<b>1,724,360</b>	<b>784,349</b>
Retained earnings at the beginning of the year		820,871	36,522
Profit for the year		1,724,360	784,349
<b>Retained earnings at the end of the year</b>		<b>2,545,231</b>	<b>820,871</b>

The notes on pages 8 to 24 form part of these financial statements.

**SWITCH COMMUNICATIONS LIMITED**  
**REGISTERED NUMBER:02645307**

**BALANCE SHEET**  
**AS AT 31 MARCH 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Intangible assets	10	130,630	16,960
Tangible assets	11	67,077	69,028
		<u>197,707</u>	<u>85,988</u>
<b>Current assets</b>			
Stocks	13	27,392	3,559
Debtors: amounts falling due within one year	14	2,075,561	1,451,738
Cash at bank and in hand	15	2,172,524	1,837,659
		<u>4,275,477</u>	<u>3,292,956</u>
Creditors: amounts falling due within one year	16	(1,921,953)	(2,550,543)
<b>Net current assets</b>		<u>2,353,524</u>	<u>742,413</u>
<b>Total assets less current liabilities</b>		<u>2,551,231</u>	<u>828,401</u>
<b>Provisions for liabilities</b>			
Deferred tax	17	-	(1,530)
		<u>-</u>	<u>(1,530)</u>
<b>Net assets</b>		<u><u>2,551,231</u></u>	<u><u>826,871</u></u>
<b>Capital and reserves</b>			
Called up share capital	18	6,000	6,000
Profit and loss account		2,545,231	820,871
		<u><u>2,551,231</u></u>	<u><u>826,871</u></u>

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

  
 .....  
**PJ Bradford**  
 Director

The notes on pages 8 to 24 form part of these financial statements.

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## SWITCH COMMUNICATIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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#### 1. General information

The company is a private company limited by share capital incorporated in England and Wales.

The address of its registered office is:

Glebe Farm  
Down Street  
Dummer  
Basingstoke  
RG25 2AD

The principal place of business is:

12 - 16 Addiscombe Road  
Croydon  
CR0 0XT

#### 2. Accounting policies

##### 2.1 Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied 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.

##### 2.2 Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

##### 2.3 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 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 (see note 3).

The financial statements are presented in the currency of the primary economic environment in which the Company operates (its functional currency), which is Sterling and are rounded to the nearest £1.

The following principal accounting policies have been applied:

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## SWITCH COMMUNICATIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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#### 2. Accounting policies (continued)

##### 2.4 Summary of disclosure exemptions

FRS 102 allows a qualifying entity certain disclosures exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

- from the financial instruments disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosure;
- from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7; and
- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows includes the Company's cash flows.

##### 2.5 Exemption from preparing consolidation financial statements

These financial statements contain information about Switch Communications 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 an immediate parent company Southern Communications Holdings Limited and its ultimate parent Southern Communications Group Limited, companies incorporated in England and Wales.

##### 2.6 Name of parent of Group

These financial statements are consolidated in the financial statements of Southern Communications Holdings Limited (intermediate parent) and Southern Communications Group Limited (ultimate parent). Their registered office is Glebe Farm, Down Street, Dummer, Basingstoke, RG25 2AD.

##### 2.7 Going concern

The Company meets its day-to-day working capital requirements through its operating cash flows and bank facilities. The Company's forecasts and projections, taking reasonable account of possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities and the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

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## SWITCH COMMUNICATIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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#### 2. Accounting policies (continued)

##### 2.8 Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The Company recognises revenue when:

- the amount of revenue can be reliably measured;
- it is probable that future economic benefits will flow to the entity; and
- specific criteria have been met for each of the Company's activities.

Service revenue is recognised on the date that the service is provided to the customer, and revenue from the sale of goods is recognised at the point of delivery or, in the case of installations, according to the stage of completion of the project.

##### 2.9 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Income and Retained Earnings, 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 is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

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## SWITCH COMMUNICATIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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#### 2. Accounting policies (continued)

##### 2.10 Intangible assets

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

##### 2.11 Amortisation of intangibles

Intangible assets are amortised over their useful life; in the case of Goodwill, this not exceed ten years if a reliable estimate of the useful life cannot be made.

Intangible assets are initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

The estimated useful life is as follows:

Goodwill	-	10 years
Computer software	-	10 years

##### 2.12 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.

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## SWITCH COMMUNICATIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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#### 2. Accounting policies (continued)

##### 2.12 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using both the straight line and reducing balance basis.

Depreciation is provided on the following basis:

Leasehold improvements	- over the period of the lease
Plant and machinery	- 15-33% reducing balance and 33-50% straight line

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 Statement of Income and Retained Earnings.

##### 2.13 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

##### 2.14 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.

##### 2.15 Financial instruments

The Company has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments.

###### **Financial assets**

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, 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 measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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## SWITCH COMMUNICATIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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#### 2. Accounting policies (continued)

##### 2.15 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 profit or loss.

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.

##### **Financial liabilities**

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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

##### **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 sell on a net basis or to realise the asset and settle the liability simultaneously.



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## SWITCH COMMUNICATIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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#### 2. Accounting policies (continued)

##### 2.16 Foreign currency translation

###### Functional and presentation currency

The Company's functional and presentational currency is GBP.

###### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Income and Retained Earnings except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Income and Retained Earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Income and Retained Earnings within 'other operating income'.

##### 2.17 Finance costs

Finance costs are charged to the Statement of Income and Retained Earnings 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.

##### 2.18 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Statement of Income and Retained Earnings and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

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## SWITCH COMMUNICATIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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#### 2. Accounting policies (continued)

##### 2.19 Share Capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

##### 2.20 Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

##### 2.21 Interest income

Interest income is recognised in the Statement of Income and Retained Earnings using the effective interest method.

##### 2.22 Related parties

The Company discloses transactions and balances with related parties which are not wholly owned within the same group.

#### 3. Judgments in applying accounting policies and key sources of estimation uncertainty

The directors believe there to be no critical accounting judgments or areas of significant estimation uncertainty.

#### 4. Turnover

An analysis of turnover by class of business is as follows:

	2018 £	2017 £
Sale of goods	774,767	948,416
Rendering of services	6,668,777	5,093,556
Other revenue	7,491	36,138
	<u>7,451,035</u>	<u>6,078,110</u>

All turnover arose within the United Kingdom.

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**SWITCH COMMUNICATIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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**5. Operating profit**

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	26,099	42,135
Amortisation of intangible assets, including goodwill	53,008	22,611
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	24,000	24,600
Operating lease expense - property	137,376	95,706
Operating lease expense - plant and machinery	80,399	48,106
Profit on disposal of property, plant and equipment	-	810
Exchange differences	4,858	10,303
	<u>260,730</u>	<u>243,271</u>

**6. Auditors' remuneration**

	2018 £	2017 £
Fees payable to the Company's auditor and for the audit of the Company's annual financial statements	18,000	22,000
<b>Fees payable to the Company's auditor in respect of:</b>		
All other services	-	2,600
	<u>18,000</u>	<u>24,600</u>

**7. Employees**

The average monthly number of employees, including the Directors, during the year was as follows:

	2018 No.	2017 No.
New equipment and installations	6	6
Calls and lines	2	2
Maintenance	12	12
Mobile and broadband	2	6
General	5	4
Management	4	6
	<u>31</u>	<u>36</u>

**SWITCH COMMUNICATIONS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**8. Directors' remuneration**

	2018 £	2017 £
Directors' emoluments	335,482	176,101
Company contributions to defined contribution pension schemes	2,947	1,209
	<u>338,429</u>	<u>177,310</u>

During the year retirement benefits were accruing to 4 Directors (2017 - 3) in respect of defined contribution pension schemes.

Certain Directors of the Company are also Directors of the parent company Southern Communications Limited and are remunerated by the ultimate parent company Southern Communications Group Limited for their services to the Group as a whole.

**9. Taxation**

	2018 £	2017 £
<b>Corporation tax</b>		
Current tax on profits for the year	-	21,429
Adjustments in respect of previous periods	(1)	(2,471)
	<u>(1)</u>	<u>18,958</u>
<b>Total current tax</b>	<u>(1)</u>	<u>18,958</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(3,539)	(2,997)
Changes to tax rates	373	-
<b>Total deferred tax</b>	<u>(3,166)</u>	<u>(2,997)</u>
<b>Taxation on (loss)/profit on ordinary activities</b>	<u>(3,167)</u>	<u>15,961</u>

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SWITCH COMMUNICATIONS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

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9. Taxation (continued)

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2017 - *lower than*) the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>1,721,193</u>	<u>800,310</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	327,027	160,062
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,766	2,723
Capital allowances for year in excess of depreciation	-	2,842
Adjustments to tax charge in respect of prior periods	(1)	(2,471)
Other differences leading to an increase (decrease) in the tax charge	373	-
Group relief	(332,332)	(147,195)
<b>Total tax charge for the year</b>	<u>(3,167)</u>	<u>15,961</u>

**Factors that may affect future tax charges**

The main rate of corporation tax will reduce to 17% by 2020.

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**SWITCH COMMUNICATIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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**10. Intangible assets**

	Computer software £	Goodwill £	Total £
<b>Cost</b>			
At 1 April 2017	-	226,135	226,135
Additions	166,678	-	166,678
At 31 March 2018	<u>166,678</u>	<u>226,135</u>	<u>392,813</u>
<b>Amortisation</b>			
At 1 April 2017	-	209,175	209,175
Charge for the year	36,048	16,960	53,008
At 31 March 2018	<u>36,048</u>	<u>226,135</u>	<u>262,183</u>
<b>Net book value</b>			
At 31 March 2018	<u>130,630</u>	<u>-</u>	<u>130,630</u>
At 31 March 2017	<u>-</u>	<u>16,960</u>	<u>16,960</u>

Goodwill relates to the acquisition of Leycommunication Services Limited and Leycome Network Services Limited in May 2007. Amortisation is included in administrative expenses in the Statement of Income and Retained Earnings.

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**SWITCH COMMUNICATIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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**11. Tangible fixed assets**

	Leasehold improvements £	Other property, plant and equipment £	Total £
<b>Cost or valuation</b>			
At 1 April 2017	163,499	498,544	662,043
Additions	12,562	11,586	24,148
At 31 March 2018	<u>176,061</u>	<u>510,130</u>	<u>686,191</u>
<b>Depreciation</b>			
At 1 April 2017	152,022	440,993	593,015
Charge for the year	9,874	16,225	26,099
At 31 March 2018	<u>161,896</u>	<u>457,218</u>	<u>619,114</u>
<b>Net book value</b>			
At 31 March 2018	<u>14,165</u>	<u>52,912</u>	<u>67,077</u>
At 31 March 2017	<u>11,477</u>	<u>57,551</u>	<u>69,028</u>

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**SWITCH COMMUNICATIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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**12. Fixed asset investments**

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 April 2017	65,192
At 31 March 2018	<u>65,192</u>
<b>Impairment</b>	
At 1 April 2017	65,192
At 31 March 2018	<u>65,192</u>
At 31 March 2018	<u>-</u>
At 31 March 2017	<u>-</u>

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding	Principal activity
Switch IP Limited	Glebe Farm, Down Street, Dummer, Basingstoke, RG25 2AD	Ordinary	100 %	Dormant

**13. Stocks**

	2018 £	2017 £
Finished goods and goods for resale	<u>27,392</u>	<u>3,559</u>

Stock recognised in cost of sales during the year as an expense was £354,053 (2017 - £76,150).

An impairment loss of £nil (2017 - £nil) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.



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**SWITCH COMMUNICATIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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**14. Debtors**

	2018 £	2017 £
Trade debtors	412,061	430,829
Amounts owed by group undertakings	1,360,387	587,354
Other debtors	6,789	14,348
Prepayments	191,159	352,641
Accrued income	103,529	66,566
Deferred taxation	1,636	-
	<u>2,075,561</u>	<u>1,451,738</u>

**15. Cash and cash equivalents**

	2018 £	2017 £
Cash at bank and in hand	<u>2,172,524</u>	<u>1,837,659</u>

**16. Creditors: Amounts falling due within one year**

	2018 £	2017 £
Trade creditors	424,786	605,804
Amounts owed to group undertakings	322,525	857,804
Other taxation and social security	296,119	201,897
Other creditors	4,761	-
Corporation tax	-	21,429
Accruals	191,664	118,317
Deferred income	682,098	745,292
	<u>1,921,953</u>	<u>2,550,543</u>

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**SWITCH COMMUNICATIONS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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**17. Deferred taxation**

	2018 £
At beginning of year	(1,530)
Charged to profit and loss	3,166
<b>At end of year</b>	<b>1,636</b>

The deferred taxation balance is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	1,636	(1,530)

**18. Share capital**

	2018 £	2017 £
<b>Allotted, called up and fully paid</b>		
3,000 3,000 Ordinary A shares of £1 each shares of £1 each	3,000	3,000
3,000 3,000 Ordinary B shares of £1 each shares of £1 each	3,000	3,000
	<b>6,000</b>	<b>6,000</b>

**Rights, preference and restrictions**

Both the Ordinary A and B shares have the following rights, preference and restrictions:  
The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

**19. Contingent liabilities**

The Company has entered into a cross guarantee arrangement to secure the bank loans of its intermediate parent company, Southern Communications Investments Limited. At the year end, the total outstanding facilities were £26,742,393 (2017 - £25,537,971).

**20. 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 Company to the fund and amounted to £32,902 (2017 - £19,797).

Contributions totalling £3,242 (2017 - £nil) were payable to the fund at the balance sheet date.

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## SWITCH COMMUNICATIONS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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#### 21. Commitments under operating leases

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

	2018 £	2017 £
Not later than 1 year	114,617	17,412
Later than 1 year and not later than 5 years	450,000	2,117
Later than 5 years	487,500	-
	<u>1,052,117</u>	<u>19,529</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £185,129 (2017 - £89,620).

#### 22. Related party transactions

The Company has taken advantage of the exemption from disclosing related party transactions with other companies that are wholly owned within the Group.

#### 23. Parent and ultimate parent undertakings

The Company's immediate parent is Southern Communications Holdings Limited, incorporated in England and Wales.

The parent of the smallest group for which consolidated accounts are prepared is Southern Communication Holdings Limited and the parent of the largest group for which consolidated accounts are prepared is Southern Communications Group Limited. These financial statements are available upon request from Companies House, Crown Way, Cardiff, CF14 3UZ.

The ultimate parent company is Southern Communications Group Limited. The Directors believe there to be no ultimate controlling party.