

directors' report

The Directors present their report and the financial statements of the Company and the Group for the year ended 31 December 2007.

Business review

A review of the development of the Group's business during the year and future prospects is included in the Chairman's Statement and the Business Review which should be read in conjunction with this report. The information which comprises the Business Review as required by Section 234ZZB of the Companies Act 1985 (the 'Act') may be found in these statements on pages 4 to 21 and in the Corporate Responsibility Report on page 35 and forms part of the Directors' Report.

Principal activity

The Group is a pan-European provider of network independent data centres offering a range of flexible, scalable data centre services, and value added services which include security, storage, messaging, disaster recovery, monitoring, application, and database management services ('Value Added Services').

Results and dividends

The results for the year ended 31 December 2007 are set out in the Group income statement on page 37. The Directors do not propose a dividend in respect of the year (2006: nil).

Share capital

During the year, the share capital of the Company was restructured as described in note 20. The Company's share capital at the year end comprised entirely Ordinary shares which rank equally in all respects. The rights attached to the Ordinary shares, in addition to those conferred on their holders by law, are set out in the Company's Articles of Association. The Company's Articles of Association may only be amended by a Special Resolution of the shareholders. There are no restrictions on the transfer of Ordinary shares or on the exercise of voting rights attached to them, except (i) where the Company has exercised its right to suspend their voting rights or to prohibit their transfer following the omission of their holder or any person interested in them to provide the Company with information requested by it in accordance with Part 22 of the Companies Act 2006 or (ii) where their holder is precluded from exercising voting rights by the FSA's listing rules or the City Code on Takeovers and Mergers or (iii) as described in the prospectus dated 24 October 2007 issued by the Company. Certain Directors and shareholders of the Company have undertaken, pursuant to the underwriting agreement dated 24 October 2007, to Deutsche Bank AG, London Branch and Citigroup Global Markets UK Equity Limited (the 'Joint Bookrunners') that, subject to certain exceptions, they will not prior to 27 April 2008, without the prior written consent of the Joint Bookrunners, offer, sell or contract to sell, or otherwise transfer, lend or dispose of, any Ordinary shares in the Company beneficially owned, held or otherwise controlled by them (totalling 136,462,000 Ordinary shares in aggregate).

The Company operates employee shares plans under which an employee benefit trust ('EBT') holds shares pending employees becoming entitled to them. 2,802,000 shares were so held as at 31 December 2007. The EBT has an independent trustee which has full discretion in relation to the voting of such shares. In addition, the trustee held as at 31 December 2007 the legal interest in 1,848,000 shares on trust for certain senior executives of the Company (including the executive Directors), who hold the beneficial interest in those shares. The dividends on all shares held in the EBT have been waived. Save as described above, shares acquired through the Company's employee share plans rank pari passu with shares in issue and have no special rights.

The Company raised net proceeds of £66,923,000 through the issue of 37,979,000 shares as part of the Company's Initial Public Offering. In addition, as part of a former employee share scheme, the Company raised a further £119,000 in the first half of the year through the issue of 475,000 'F' shares (which thereafter converted into 1,488,000 Ordinary shares at the time of the Company's IPO). Further details are contained in note 20.

Details of the Group's share schemes are set out in note 27 and in the Directors' Remuneration Report.

Directors

The Directors of the Company who were in office as at 31 December 2007, together with their interests in the Ordinary share capital of the Company and any interests known to the Company of their connected persons are set out below. The Directors' interests in options over the Ordinary shares in the Company are disclosed in the Directors' Remuneration Report on page 34.

	1 January 2007 ⁽¹⁾	31 December 2007
John Hughes ⁽²⁾	—	54,545
Michael Tobin ⁽³⁾	1,309,083 ⁽⁵⁾	1,309,083 ⁽⁶⁾
Brian McArthur Muscroft ⁽³⁾	691,415 ⁽⁵⁾	691,415 ⁽⁶⁾
Simon Batey ⁽⁴⁾	—	22,727
John O'Reilly ⁽²⁾	—	9,091
Robert Morse	—	—
Ian Nolan	—	—
Sergei Riabtsov ⁽²⁾	—	—

(1) or date of appointment if later

(2) appointed 5 October 2007

(3) appointed 1 July 2007

(4) appointed 16 October 2007

(5) At their dates of appointment Michael Tobin had an interest in 320,000 E Ordinary shares and 98,159 F Ordinary shares, and Brian McArthur Muscroft had an interest in 220,858 F Ordinary shares. These shares were converted into Ordinary shares at the time of the IPO of the Company as described in note 20. The figures in the above table are the numbers of Ordinary shares which resulted from this conversion.

(6) A proportion of these Ordinary shares are held by the EBT and are released to the individuals on a monthly basis subject to the satisfaction of certain conditions.

Directors continued

Bo Bendtsen, Oliver Grace, Boris Jordan, Jennifer Dunstan and Glenn August all resigned as Directors on 5 October 2007.

There have been no changes in the interests of the Directors in the share capital of the Company (or any derivatives or any other financial instruments relating to those shares) nor, so far as the Company is aware, in the relevant interests of any of their connected persons between 31 December 2007 and the date of this report.

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

At the forthcoming Annual General Meeting, Simon Batey, who was appointed as a Director by the Board since the last general meeting of the Company, retires and is being proposed for reappointment. The Chairman confirms that Mr Batey has the skills, knowledge and experience that enable him to properly discharge his duties and contribute to the effective operation of the Board. The Board, on the advice of the Nominations Committee, therefore recommends his re-election.

No member of the Board had a material interest in any contract of significance with the Company, or any of its subsidiaries, at any time during the year, except for their interests in shares disclosed above, and their interests under their terms of employment or appointment and in share options disclosed in the Directors' Remuneration Report.

Directors of the Company are appointed either by the Board or by shareholders under the Company's Articles of Association. The business of the Company is managed by its Directors who may exercise all powers of the Company subject to the Articles of Association and UK legislation.

Substantial shareholdings

At 7 March 2008, the Company had been notified in accordance with the Disclosure and Transparency Rules of the UK Listing Authority that the following held, or were beneficially interested in, 3% or more of the Company's Ordinary shares at the date:

	Number of shares	Total voting rights
3i ⁽¹⁾	44,719,998	22.6%
Oak Hill ⁽²⁾	44,719,997	22.6%
Sputnik ⁽³⁾	17,867,580	9.0%
Butterfield Trust ⁽⁴⁾	15,135,479	7.6%
UK2 ⁽⁵⁾	12,018,298	6.1%
Goldman, Sachs & Co.	8,130,791	4.1%

(1) Ordinary shares are held by 3i Group plc and by a corporate nominee for 3i Pan European Buy-Outs 2004-06 LP.

(2) Ordinary shares are held by the following Oak Hill companies: Oak Hill Capital Partners II (Cayman), L.P., OHSOF (Offshore I) L.P., OHSOF (Offshore II) L.P., Oak Hill Capital Partners II (Cayman II), L.P., OHSOF (Offshore III) L.P., Oak Hill Capital Management Partners II (Cayman), L.P.

(3) Includes Ordinary shares beneficially owned by Pogan Invest Corp. Ordinary shares are held by a corporate nominee for Sputnik Group Ltd and Pogan Invest Corp.

(4) Ordinary shares are held by Butterfield Trust as a trustee of trusts for the benefit of Oliver R. Grace, Jr. and members of his family and are held by a corporate nominee.

(5) Ordinary shares are held by a corporate nominee for UK2 Group Limited.

Payment of suppliers

The Company's policy, which is also applied by the Group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. The year end Group trade creditors balance represented 55 days of purchases (2006: 89). The Company did not have any trade creditors at 31 December 2007 (2006: nil).

Charitable donations

During the year the Group made charitable donations in cash amounting to £41,000 (2006: £nil). The principal charities supported by the Group during the year are set out in the Corporate Responsibility Report on page 35.

Employment

The Group keeps employees informed of developments by which they are affected and the performance of the Group generally through regular briefing meetings, as well as more informal communications.

The Group gives full and fair consideration to applications for employment from disabled persons, taking into account the requirements of individual roles. If an existing employee becomes disabled, it is the Group's policy to take such steps as are practical to provide continuing employment and to assist with suitable training and career development opportunities.

Directors' responsibilities

The Directors are responsible for preparing the Annual Report, Directors' Remuneration 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. The Directors are required by the IAS Regulation to prepare the Group financial statements under IFRS ('IFRS') as adopted by the European Union and have also elected to prepare the Parent Company financial statements in accordance with IFRS as adopted by the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

directors' report

continued

Directors' responsibilities continued

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. However, Directors are also required to:

- ⇒ properly select and apply accounting policies;
- ⇒ present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- ⇒ provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records that 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 1985. 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

A resolution for the reappointment of Deloitte & Touche LLP as auditors to the Group is to be proposed at the 2008 Annual General Meeting.

2008 Annual General Meeting

The Company's Annual General Meeting will be held at the offices of Addleshaw Goddard LLP, 150 Aldersgate Street, London EC1A 4EJ at 2.00pm on Thursday 15 May 2008.

An explanation of the resolutions to be proposed at the meeting, and recommendation of Directors in relation to these, is included on pages 61 and 62.

Disclosure of information to auditors

Each Director in office at the date of this report has confirmed that:

1. so far as he is aware, there is no relevant audit information of which the Group's auditors are unaware; and
2. he has taken all the reasonable steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

This confirmation is given in accordance with Section 234ZA of the Act.

On behalf of the Board



Tony Hunter
Company Secretary
7 March 2008