

2 August 2010

## TELECITY GROUP PLC

### Telecity Group plc results for the six months ended 30 June 2010

#### TelecityGroup delivers 14% revenue growth, 29% EBITDA growth, 28% adjusted earnings per share growth and an EBITDA margin increase to over 40%

Telecity Group plc ('TelecityGroup', 'the Group' or 'the Company'), Europe's industry-leading provider of premium network independent data centres, today announces its results for the six months ended 30 June 2010.

#### Highlights

- Revenue up 13.9% to £93.7m (H1 2009: £82.2m), with constant currency revenue growth of 14.7%
- EBITDA<sup>(1)</sup> up 29.0% to £37.9m (H1 2009: £29.4m)
- EBITDA margin up to 40.4% (H1 2009: 35.7%)
- Adjusted<sup>(2)</sup> profit after tax up 30.4% to £17.6m (H1 2009: £13.5m)
- Adjusted diluted earnings per share up 27.5% to 8.8p (H1 2009: 6.9p)
- Cash flow from operating activities up 30.6% to £42.9m (H1 2009: £32.8m)
- Additional 2.6MW of capacity announced for Stockholm
- Acquisition of further capacity in Manchester initially providing 1.4MW of customer power
- Total announced capacity up to 92MW (H1 2009: 60MW)
- New £200m, five-year senior debt facility arranged in the period

#### Statutory equivalents

The adjusted highlights above are before the post tax effect of Other financing items (note 7) which include the cost of the refinancing referred to above. These items are not considered to be part of the underlying business of the Group. If these items are included, the following statutory equivalents to adjusted profit after tax and adjusted diluted earnings per share result:

- Profit after tax of £12.5m (H1 2009: £13.7m)
- Diluted earnings per share of 6.2p (H1 2009: 7.0p)

#### Michael Tobin, TelecityGroup CEO, said:

*"I am very pleased with the progress that TelecityGroup has made in the first half of 2010. Yet again the Group has delivered a strong set of results with good growth in revenue, EBITDA, adjusted earnings per share and cash flow from operations.*

*We have continued to consolidate our leading position in Europe with capacity additions in a number of locations across Europe. We have also started work on a major expansion to our London Powergate data centre. Today I am pleased to announce additional capacity in Stockholm and the acquisition of further capacity in Manchester. Both Stockholm and Manchester are strong markets for TelecityGroup and offer excellent growth prospects.*

*We aim to continue delivering controlled, value creating growth across Europe. Our total announced capacity is now up to 92MW, from 60MW this time last year.*

*We have enjoyed significant new order wins to date in 2010, which have added to TelecityGroup's recurring revenue base. New business demand remains robust and I am confident that TelecityGroup will deliver strong full year growth."*

(1) Earnings before interest, taxation, depreciation and amortisation

(2) Adjusted to exclude the post tax effect of Other financing items (note 7)

**For further information please contact:**

**TelecityGroup:**

**Investors:**

Matthew Springett +44 (0)20 7005 6337

**Media:**

James Tyler +44 (0)20 7001 0076

**Brunswick:** Sarah West/James Olley +44 (0)20 7404 5959

**Notes to Editors**

**Telecity Group plc**

TelecityGroup is Europe's industry-leading provider of premium network independent data centres offering a range of flexible, scalable data centre and managed services. TelecityGroup specialises in the design, build, and management of highly connected and secure environments in which customers can house their technical, web and internet infrastructure. Each of its data centres acts as a connectivity and content hub facilitating the storage, sharing and distribution of data, content and media. Headquartered in London, TelecityGroup operates 24 network-independent data centres across seven European countries. The data centres are located in prime positions for commerce and connectivity including London, Amsterdam, Frankfurt, Paris, Stockholm, Manchester, Milan and Dublin.

Website: [www.telecitygroup.com](http://www.telecitygroup.com)

**Cautionary note regarding forward-looking statements**

This announcement includes statements that are forward-looking in nature. All statements other than statements of historical facts could be deemed to be forward looking statements. By their nature, these forward looking statements involve numerous assumptions, uncertainties and opportunities, both general and specific. Accordingly, the actual results, performance or achievements of the Company may be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, due to known and unknown risks, uncertainties and other factors. Except as required by the Listing Rules and applicable law, Telecity Group plc undertakes no obligation to update or change any forward-looking statements to reflect events occurring after the date such statements are published.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any securities in the United States, or any other jurisdiction. The Company's shares have not been registered in any U.S. jurisdiction, and, in particular, will not be registered under the U.S. Securities Act of 1933, as amended or any applicable state securities laws.

## Operational Review

TelecityGroup delivers controlled, value creating growth by opening and selling high quality, differentiated data centre capacity in Europe, to meet the demand for highly connected and resilient data centres that is being driven by the growth in the digital economy.

During the first half of 2010 TelecityGroup achieved strong growth in revenue, EBITDA, adjusted earnings per share and operating cash flow.

The Group continued to lay the foundations for future growth by adding extra capacity in Stockholm and Milan. Incremental capacity has also been opened in London since the period end and work has begun on a significant capacity expansion in London, which is due to be opened in phases from 2011.

Demand for TelecityGroup's premium data centres remained solid across all the Group's markets and continues to be driven by the ever greater use of the internet for entertainment, information, social interaction, business transactions and efficiency savings.

The total fitted-out space operated by TelecityGroup increased 10.6% to 60,538 sq.m (H1 2009: 54,757 sq.m) during the period and total available customer power increased to 54 megawatts ('MW') (H1 2009: 41MW). Since the period end the Group has added a further 1,700 sq.m and 3MW of customer power in London and 1.4MW with its acquisition in Manchester.

TelecityGroup continues to open capacity in Europe in response to strong customer demand. Including the further capacity announced in Stockholm and Manchester, the Group has now announced plans to increase its total customer power to 92MW.

Demand across the Group's markets from the organic growth of its existing customers and from new contract wins led to period end occupied space increasing 2.9% to 46,075 sq.m (H1 2009: 44,780 sq.m). This increase was lowered due to the planned departure of the incumbent tenant during H2 2009 which had been acquired with the purchase of a data centre in Milan in H1 2009.

TelecityGroup won new business from a range of leading international companies. The largest part of this demand came from companies operating in the areas of connectivity, internet content provision, web based applications and financial markets. The Group's data centres predominantly host specialist mission-critical applications. As such, although TelecityGroup has many of the world's leading telecommunications, media and financial companies as customers, its revenue base remains diverse.

Revenue per occupied sq.m<sup>(1)</sup> increased 6.9% to £2,069 (H1 2009: £1,935). On a currency-neutral basis, revenue per occupied sq.m grew 7.8%. This reflects a combination of factors including increased sales of higher-power density space and price increases.

### Key Performance Indicators ('KPIs')

The Group uses a number of KPIs to measure performance. These KPIs have been chosen because they are considered to be the main factors underpinning the Group's performance. The capacity of the existing facilities is a constraining factor to growth, therefore the Group monitors both fitted-out space and occupancy. In addition, the amount of revenue generated per sq.m is used to measure the income generation achieved in the available space. During the current period, the Group has modified the way it measures revenue per occupied sq.m. In order to avoid distortions arising from significant movements in occupied space that occur close to the period end, the Group now calculates revenue per occupied sq.m by dividing the revenue for the period by the average occupied space during the period. Previously this KPI had been calculated by dividing the revenue for the period by the period end occupied space. A reconciliation between both measurement bases is contained in note 14.

	Six months ended 30 June 2010	Six months ended 30 June 2009	Change
Revenue (£'000)	<b>93,693</b>	82,245	13.9%
EBITDA (£'000)	<b>37,885</b>	29,357	29.0%
Adjusted diluted earnings per share (pence)	<b>8.8</b>	6.9	27.5%
Total fitted-out space (sq.m)	<b>60,538</b>	54,757	10.6%
Occupancy (sq.m)	<b>46,075</b>	44,780	2.9%
Revenue per sq.m <sup>(1)</sup> (£/sq.m)	<b>2,069</b>	1,935	6.9%

(1) Calculated as the revenue for the period divided by the average occupied space during the period.

### **UK and Ireland ('UK&I')**

TelecityGroup's UK&I operations showed significant strength during the first half of 2010, with an excellent performance from the London Powergate site in particular.

The Group continued to benefit from the organic growth of its existing customer base and won significant new contracts from UK and international companies.

Fitted out space increased 4.7% to 26,972 sq.m (H1 2009: 25,772 sq.m) and a further 1,700 sq.m has been fitted out in July 2010. Occupied space increased 4.5% to 23,922 sq.m (H1 2009: 22,881 sq.m). Revenue per occupied sq.m increased 8.1% to £2,059 (H1 2009: £1,904).

Since the period end, TelecityGroup has acquired 1,600 sq.m (1.4MW) of high quality capacity in Manchester, with the potential for significant further expansion, through the purchase of IFL for £21.1m (note 13). The Group expects to achieve a return on capital from this investment that is in line with the high returns available from investment in data centre builds.

### **Rest of Europe ('RoE')**

TelecityGroup has enjoyed a good first half in its RoE division, with growth in all of its markets and a solid performance from its new Paris 3 data centre.

The Group added incremental capacity in Stockholm and Milan, and total fitted out space in RoE increased 15.8% to 33,566 sq.m (H1 2009: 28,985 sq.m).

Across the RoE division occupied space increased 1.2% to 22,153 sq.m (H1 2009: 21,899 sq.m). This increase was lowered due to the planned departure of the incumbent tenant during H2 2009 which had been acquired with the purchase of a data centre in Milan in H1 2009. Excluding the departure of this tenant, the underlying growth in occupied space was 8.9%. Revenue per occupied sq.m increased 5.7% to £2,080 (H1 2009: £1,968). On a constant currency basis, revenue per sq.m increased 7.2%.

### **Operations**

TelecityGroup made significant progress with its capacity expansion programme in the first half of 2010. The Group opened incremental capacity at its Stockholm 2 and Milan 2 data centres on time and on budget. Since the end of the period two additional zones have also been opened at the London Powergate site.

In addition to this, work is underway on the 21MW expansion to the Powergate data centre, the first phase of which is due to open in the second half of 2011.

TelecityGroup is leading the European data centre industry in environmental management. The Group is delivering new state-of-the-art capacity with innovative efficiency enhancing designs, such as the new Paris 3 site, which was judged the 'Best Colocation Facility in Europe' at the 2010 Data Centre Europe Awards. TelecityGroup has worked to upgrade the energy efficiency of its existing operations. This has helped to increase productivity and cut power consumption costs as a proportion of revenue.

During the first half of 2010, TelecityGroup was awarded the Carbon Trust Standard, an award that requires organisations to measure, manage and reduce carbon emissions. The Group also achieved ISO 14001, an internationally recognised certificate for organisations that demonstrate superior environmental management, and OHSAS 18001 certification, recognising the stringent health and safety systems applied across its operations.

### **Current trading and outlook**

TelecityGroup has enjoyed significant new order wins to date, which have added to the Group's recurring revenue base. New business demand remains robust.

As such, the Group is confident that it will deliver strong full year growth, despite the impact of the weaker Euro on its reported revenues.

TelecityGroup plans to continue to invest in additional capacity in Europe over the medium-term in direct response to customer demand, thus driving controlled growth and value creation into the longer-term. The Group expects to invest £80m to £90m in capital expenditure in 2010, excluding the cost of the acquisition of IFL.

**Michael Tobin**

**Chief Executive Officer**

30 July 2010

## Financial Review

### Introduction

Total revenue increased 13.9% to £93.7m (H1 2009: £82.2m). The weakening of the Euro relative to Sterling resulted in a £0.6m reduction in revenues. On a constant currency basis revenue increased by 14.7%.

Due to a significant proportion of the Group's cost base being fixed, along with tight control of the variable element of the cost base, 74.5% of the incremental revenue flowed through to the EBITDA level. EBITDA increased 29.0% to £37.9m (H1 2009: £29.4m). In particular, the Group's continual focus on efficiently managing its power usage has resulted in this non-fixed cost falling as a percentage of revenue from 16.2% to 14.4%.

Operating cash flows, after servicing of debt and taxation, were £42.9m (H1 2009: £32.8m). This was a result of the increased EBITDA in the period and a strong working capital performance.

As previously reported, in February 2010 the Group completed a refinancing of its senior debt facilities. This resulted in the five-year, £200.0m facility that exists today. This facility, together with the operating cash flows of the business, provides sufficient funds to enable the Group to continue its current demand driven expansion programme.

The Group invested a total of £28.9m in capital expenditure (H1 2009: £52.3m), £22.5m (H1 2009: £46.9m) of which relates to the expansion of new and existing sites.

The strong performance during the period resulted in a 27.5% growth in adjusted diluted earnings per share to 8.8p (H1 2009: 6.9p). A reconciliation between the Group's adjusted and unadjusted results is shown below. Unadjusted diluted earnings per share were 6.2p (H1 2009: 7.0p).

	Six months ended 30 June 2010 £'000	Six months ended 30 June 2009 £'000
Profit attributable to equity holders of the Company	12,473	13,677
Add/(less) exchange losses/(gains) on financing items	865	(176)
Add costs incurred on refinancing	6,267	—
Less tax effect of above	(1,997)	—
Adjusted profit attributable to equity holders of the Company	17,608	13,501

Due to careful management of the Group's expansion programme, period end net debt has reduced to £45.6m (H1 2009: £47.2m). The Group continues to operate at low leverage levels.

### Revenue

UK&I revenue grew 15.3% to £48.8m (H1 2009: £42.3m) and RoE revenue increased 12.4% to £44.9m (H1 2009: £39.9m). In RoE, revenues on a constant currency basis increased 13.9%.

Revenue from colocation and value added services ('VAS') increased 16.9% and 2.6% respectively. The strong performance in colocation revenue reflects the Group's focus on growing this core high-margin, recurring revenue business. Over 90% of the Group's revenues are recurring.

### Operating costs

Operating costs, including depreciation and amortisation, increased 5.4% to £69.2m (H1 2009: £65.7m), including a £0.5m reduction in costs as a result of exchange rate movements.

An analysis of operating costs is as follows:

- Electricity costs of £13.5m (H1 2009: £13.3m) represented 14.4% of revenue (H1 2009: 16.2%). This includes a £0.1m saving due to exchange rate movements. The underlying (i.e. before the effect of foreign exchange) increase of £0.3m is despite the Group having opened and sold new capacity in Paris, Amsterdam, Stockholm and London. The Group has implemented projects to increase the power efficiency of its data centres, which has included installing free cooling technology at certain sites.
- Property costs of £14.4m (H1 2009: £12.6m) represented 15.3% of revenue (H1 2009: 15.3%). The increase of £1.8m includes a £0.1m saving due to exchange rate movements. The underlying difference of £1.9m was mainly due to additional rent and rates from the opening of new capacity in Paris and Amsterdam.

- Staff costs of £15.4m (H1 2009: £14.1m) represented 16.5% of revenue (H1 2009: 17.2%). The increase includes a £0.1m saving due to exchange rate movements. The underlying movement of £1.4m was due to an increase in headcount across the business in line with growth, annual salary increases and an increase to the share-based payment charge following a grant under the Performance Share Plan in February 2010.
- Other costs of £12.5m (H1 2009: £12.9m) represented 13.3% of revenue (H1 2009: 15.7%). The decrease includes a £0.1m saving due to exchange rate movements. The underlying decrease of £0.3m was mainly as a result of a £1.2m loss in the prior period on an historic foreign exchange hedge. This benefit was off-set by a growth in other costs included within cost of sales, marketing and administration as the business grew.
- The depreciation and amortisation charge has increased by £0.6m to £13.4m (H1 2009: £12.8m). The increase includes a £0.1m saving due to exchange rate movements. The underlying increase of £0.7m is due to additional depreciation from the new data centres. Such depreciation commences when a data centre, or a part thereof, is brought into use. During the previous year, a detailed review of the existing fixed asset base on the Group was performed. In addition to the operational benefits, the exercise resulted in a reassessment of the useful economic lives of assets which is reflected in the charge for the period.

### **Financing**

As a result of the refinancing of the senior debt facilities during the period, the Group is well funded to further its expansion programme. The debt facilities comprise a five-year senior debt facility of £200.0m.

Finance costs for the period were £3.0m (H1 2009: £2.1m). Finance costs comprise interest on bank loans of £1.5m (H1 2009: £1.6m), commitment and guarantee fees of £0.9m (H1 2009: £0.2m), amortisation of debt arrangement fees of £0.4m (H1 2009: £0.2m) and unwinding of discount on onerous lease of £0.2m (H1 2009: £0.1m). Interest on bank loans is stated net of capitalised interest of £0.9m (H1 2009: £0.5m).

Interest accrues on the Group's borrowings at LIBOR, or equivalent based on the currency of borrowings, plus a margin. The average interest rate on borrowings during the period was 3.83%. The Group has interest rate swaps in place that convert the interest rate on £72.0m of its borrowings from a floating LIBOR rate to a fixed rate of 2.235%. The period end valuation of these interest rate swaps is included on the balance sheet under the heading of Derivative financial instruments.

Other financing items for the period were £7.1m (H1 2009: income £0.2m). Included within Other financing items are foreign exchange losses on financing items of £0.9m (H1 2009: gain £0.2m). The balance of Other financing items represents costs incurred upon refinancing totalling £6.3m (H1 2009: £nil). Included within these costs are interest rate swap break costs of £4.9m and the write-off of £0.9m of unamortised arrangement fees associated with the historic loan. In addition, the Group incurred directly attributable loan issue costs of £4.8m that have been capitalised and are being amortised over the life of the facility.

### **Taxation**

The Group has historically benefited from the availability of tax losses that have significantly off-set potential tax liabilities. Due to the increasing profitability of the Group, such losses are being exhausted. By the year end, any remaining losses will be recognised as assets due to the probability of them being used in the future. As such the Group expects to incur a full corporation tax rate from 2011 onwards. An element of the 2011 full tax charge relates to deferred tax, as such the cash tax that the Group pays will remain below the full rate in that year.

2010 therefore represents a transitional year whereby the Group is moving from a sheltered tax position to recognising a full tax charge. The income tax expense is recognised based on an estimate of the weighted average annual income tax rate expected for the full financial year. In accordance with IAS 34, the tax effect of exceptional or one-off items has not been included in the calculation of the estimated average annual tax rate. The Group's expected full year tax rate has been applied to the profit before tax for the first six months resulting in a half year tax charge of £1.8m (H1 2009: £1.0m).

### **Cash flow**

Cash flows from operating activities increased to £42.9m (H1 2009: £32.8m). The Group's strong cash performance was primarily a result of the increased EBITDA of £37.9m (H1 2009: £29.4m) and working capital cash in-flows derived from the advance billing cycle operated by the Group and efficient working capital management. Cash flows from working capital were further enhanced by £4.3m due to a customer advance payment made in order to secure capacity.

Payments made during the period relating to ongoing net financing costs were £2.9m (H1 2009: £2.1m).

Corporation tax payments during the period totalled £2.2m (H2 2009: £0.1m). The Group is now moving into a cash tax paying position as a result of its profitability and full utilisation of accumulated losses in certain territories.

The Group has invested £28.9m (H1 2009: £52.3m) in capital expenditure, £22.5m (H1 2009: £46.9m) of which related to new capacity and £6.4m (H1 2009: £5.4m) to other capital expenditure, including maintenance and sales capital expenditure. Expansionary capital expenditure included work incurred on the Group's data centres in the UK (Powergate), France (Paris 3), and Sweden (Stockholm 2).

During the period, the Group refinanced its senior debt facilities. One time amounts paid in respect of the refinancing process and new loan facility totalled £10.3m. The primary components of these payments are break costs relating to the Group's historic interest rate swap of £4.9m and amounts relating to the arrangement of the new loan facility of £4.8m.

During the period, the Group has made draw-downs under the new senior debt facility totalling £93.8m. The majority of which, £87.0m, was used to repay the previous loan facility.

At the end of the period, the Group had net debt (including finance leases) of £45.6m (H1 2009: £47.2m). The Group's ability to invest in significant expansionary capital expenditure projects, whilst not growing its net debt position, is testament to the highly cash generative nature of its business model.

### **Balance sheet**

The Group's intangible assets which have a book value of £44.3m (H1 2009: £46.0m) comprise acquired customer contracts and goodwill that arose during the acquisition of TeleCity, Globix and Redbus. The decrease in value of the assets is due to amortisation of £0.8m and changes in foreign exchange rates.

Capital expenditure of £21.1m (H1 2009: £56.8m) was incurred during the period and the depreciation charge for the period was £12.6m (H1 2009: £12.2m). Balance sheet capital additions of £21.1m (H1 2009: £56.8m) differs from cash capital expenditure of £28.9m (H1 2009: £52.3m) as a result of the timing of payments over period ends. As a significant proportion of the Group's assets are denominated in Euros, the relative strengthening of Sterling against the Euro since 31 December 2009 has resulted in a foreign exchange decrease in the net book value of Property, plant and equipment of £15.9m (H1 2009: £16.8m). These movements resulted in a period end carrying value of Property, plant and equipment of £278.7m (H1 2009: £233.8m).

Current trade and other receivables decreased by £1.4m to £19.5m (H1 2009: £21.0m). Trade receivables have decreased by £2.0m to £8.8m (H1 2009: £10.8m) after a decrease in value due to foreign exchange movements of £0.2m. Further improved credit control procedures across the Group resulted in trade debtors reducing despite increasing revenue. Other receivables have decreased by £0.8m to £0.9m (H1 2009: £1.7m), primarily due to the timing of a £0.6m VAT receipt. Prepayments have increased by £1.4m to £9.8m (H1 2009: £8.4m) primarily as a result of early receipt of rental invoices in comparison with H1 2009.

Current trade and other payables have increased by £5.4m to £40.8m (H1 2009: £35.4m) including a decrease in value due to foreign exchange movements of £0.4m. The increase is a result of the increased size of the business along with the relative timing of payments.

Deferred income has increased by £7.4m to £29.2m (H1 2009: £21.8m). The increase is due to the underlying growth in the Group's revenue. In addition, the advance customer payment referred to above increased deferred income.

Current and non-current provisions for other liabilities and charges of £5.9m (H1 2009: £7.1m) primarily relate to an onerous lease provision in respect of a property in Munich.

### **Total equity**

Equity shareholders' funds increased during the period by £4.1m from £221.0m to £225.1m, comprising total comprehensive income of £2.8m (H1 2009: £2.9m) and equity transactions of £1.3m (H1 2009: £0.7m).

Total comprehensive income comprised retained profits for the period of £12.5m (H1 2009: £13.7m) less currency translation differences on the Group's foreign currency net investments of £12.4m (H1 2009: £15.9m). The reduction in the Group's foreign currency net investments is due to the weakening of the Euro relative to Sterling during the period. In addition, the Group recognised a fair value gain, net of tax, of £2.6m (H1 2009: £5.1m) on its cash flow hedging agreements.

Within equity transactions, the Group has credited to reserves £1.2m (H1 2009 £0.7m) in respect of share-based payments. In addition, the Group has received £0.1m (H1 2009: £nil) in respect of shares issued under the Group's share option schemes.

**Operational and financial risks**

In carrying out its business, the Group is exposed to a variety of risks. The most significant factors impacting TelectyGroup's future performance are the Group's ability to open incremental space to meet demand and to manage its operations effectively. The Directors regularly review the broader risks facing the business and appropriate steps are taken to reduce or eliminate the risks and mitigate their potential impact. Page 17 of the Group's 2009 Annual Report contained a list and detailed explanation of the principal risks which the Directors considered could affect the Group. The operational risks comprised business disruption risk, technology risk, capital expenditure risk and key supplier risk. The financial risks comprised credit risk, foreign currency risk, liquidity and capital management risk, interest rate risk and cost risk. Although the list was not intended to be an extensive analysis of all risks which may arise in the ordinary course of business or otherwise, in the opinion of the Directors, the risks stated at that time remain the principal risks as at 30 June 2010.

**Brian McArthur-Muscroft**

***Group Finance Director***

30 July 2010

## Consolidated Income Statement

		Six months ended 30 June 2010 £'000	Six months ended 30 June 2009 £'000
<b>Continuing operations</b>	Notes		
Revenue	4	<b>93,693</b>	82,245
Cost of sales	4	<b>(42,829)</b>	(40,198)
<b>Gross profit</b>		<b>50,864</b>	42,047
Sales and marketing costs		<b>(3,616)</b>	(3,192)
Administrative costs analysed:			
Depreciation and amortisation charges		<b>(13,400)</b>	(12,798)
Other administrative costs		<b>(9,363)</b>	(9,498)
Total administrative costs		<b>(22,763)</b>	(22,296)
<b>Operating profit</b>	4	<b>24,485</b>	16,559
Finance income		<b>8</b>	86
Finance costs		<b>(3,046)</b>	(2,125)
Other financing items	7	<b>(7,132)</b>	176
<b>Profit on ordinary activities before taxation</b>		<b>14,315</b>	14,696
Income tax charge	6	<b>(1,842)</b>	(1,019)
<b>Retained profit for the period</b>		<b>12,473</b>	13,677
<b>Earnings per share – basic (p)</b>	7	<b>6.4</b>	7.0
<b>Earnings per share – diluted (p)</b>	7	<b>6.2</b>	7.0
<b>Adjusted earnings per share – basic (p)</b>	7	<b>9.0</b>	6.9
<b>Adjusted earnings per share – diluted (p)</b>	7	<b>8.8</b>	6.9
<b>Supplementary income statement information</b>			
<b>EBITDA<sup>(1)</sup></b>		<b>37,885</b>	29,357
Depreciation charge	8	<b>(12,649)</b>	(12,211)
Intangible asset amortisation charge		<b>(751)</b>	(587)
<b>Operating profit</b>		<b>24,485</b>	16,559

## Consolidated Statement of Comprehensive Income

	Six months ended 30 June 2010 £'000	Six months ended 30 June 2009 £'000
Currency translation differences on foreign currency net investments	<b>(12,366)</b>	(15,877)
Interest rate cash flow hedge net of tax	<b>2,647</b>	821
Foreign exchange cash flow hedges	—	4,308
<b>Net comprehensive loss recognised directly in equity</b>	<b>(9,719)</b>	(10,748)
Profit for the period	<b>12,473</b>	13,677
<b>Total comprehensive income recognised in period</b>	<b>2,754</b>	2,929

(1) Earnings before interest, taxation, depreciation and amortisation

## Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Own shares £'000	Cumulative translation reserve £'000	Total £'000
<b>At 1 January 2009</b>	<b>396</b>	<b>74,127</b>	<b>92,917</b>	<b>(4,266)</b>	<b>25,330</b>	<b>188,504</b>
Profit for the period	—	—	13,677	—	—	13,677
Other comprehensive income:						
Currency translation differences on foreign currency net investments	—	—	—	—	(15,877)	(15,877)
Fair value movement on cash flow hedges net of tax	—	—	5,129	—	—	5,129
<b>Total comprehensive income/(expense) for the period ended 30 June 2009</b>	<b>—</b>	<b>—</b>	<b>18,806</b>	<b>—</b>	<b>(15,877)</b>	<b>2,929</b>
Transactions with owners:						
Credit to equity for share-based payments	—	—	742	—	—	742
Issue of shares	—	—	—	7	—	7
	—	—	742	7	—	749
<b>At 30 June 2009</b>	<b>396</b>	<b>74,127</b>	<b>112,465</b>	<b>(4,259)</b>	<b>9,453</b>	<b>192,182</b>
<b>At 1 January 2010</b>	<b>396</b>	<b>74,127</b>	<b>134,706</b>	<b>(4,175)</b>	<b>15,965</b>	<b>221,019</b>
Profit for the period	—	—	12,473	—	—	12,473
Other comprehensive income:						
Currency translation differences on foreign currency net investments	—	—	—	—	(12,366)	(12,366)
Fair value movement on cash flow hedges net of tax	—	—	2,647	—	—	2,647
<b>Total comprehensive income/(expense) for the period ended 30 June 2010</b>	<b>—</b>	<b>—</b>	<b>15,120</b>	<b>—</b>	<b>(12,366)</b>	<b>2,754</b>
Transactions with owners:						
Credit to equity for share-based payments	—	—	1,208	—	—	1,208
Issue of shares	—	—	—	100	—	100
	—	—	1,208	100	—	1,308
<b>At 30 June 2010</b>	<b>396</b>	<b>74,127</b>	<b>151,034</b>	<b>(4,075)</b>	<b>3,599</b>	<b>225,081</b>

## Consolidated Balance Sheet

		30 June 2010 £'000	31 December 2009 £'000	30 June 2009 £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets		44,330	46,118	46,046
Property, plant and equipment	8	278,682	286,283	233,846
Deferred income taxes		4,898	5,374	5,374
Trade and other receivables		2,968	3,137	2,760
		<b>330,878</b>	<b>340,912</b>	<b>288,026</b>
<b>Current assets</b>				
Trade and other receivables		19,503	19,483	20,951
Cash and cash equivalents		36,517	32,140	38,915
		<b>56,020</b>	<b>51,623</b>	<b>59,866</b>
<b>Total assets</b>	4	<b>386,898</b>	<b>392,535</b>	<b>347,892</b>
<b>Equity</b>				
Share capital	10	396	396	396
Share premium account		74,127	74,127	74,127
Retained earnings		151,034	134,706	112,465
Other reserves		(476)	11,790	5,194
<b>Total equity</b>		<b>225,081</b>	<b>221,019</b>	<b>192,182</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings	9	80,840	80,467	78,607
Obligations under finance leases		744	1,000	917
Derivative financial instruments		727	2,313	1,519
Provisions for other liabilities and charges		4,987	6,078	6,130
		<b>87,298</b>	<b>89,858</b>	<b>87,173</b>
<b>Current liabilities</b>				
Trade and other payables		40,774	47,089	35,406
Deferred income		29,248	22,438	21,844
Current income tax liabilities		2,043	2,954	952
Borrowings	9	394	6,343	6,334
Obligations under finance leases		180	197	242
Derivative financial instruments		960	1,649	2,823
Provisions for other liabilities and charges		920	988	936
		<b>74,519</b>	<b>81,658</b>	<b>68,537</b>
<b>Total liabilities</b>	4	<b>161,817</b>	<b>171,516</b>	<b>155,710</b>
<b>Total equity and liabilities</b>		<b>386,898</b>	<b>392,535</b>	<b>347,892</b>

## Consolidated Cash Flow Statement

	Notes	Six months ended 30 June 2010 £'000	Six months ended 30 June 2009 £'000
<b>Cash flows from operations</b>	11	<b>47,880</b>	34,986
Net interest paid		(2,829)	(2,102)
Interest element of finance lease payments		(25)	—
Taxation paid		(2,162)	(72)
<b>Net cash inflow from operating activities</b>		<b>42,864</b>	32,812
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(28,928)	(52,250)
<b>Net cash outflow from investing activities</b>		<b>(28,928)</b>	(52,250)
<b>Cash flows from financing activities</b>			
Net proceeds on issue of ordinary share capital	10	100	7
Amounts paid in respect of costs relating to refinancing		(10,284)	—
Repayment of obligations under finance leases		(170)	(233)
Proceeds from borrowings		93,812	9,180
Repayment of borrowings		(92,080)	(3,000)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(8,622)</b>	5,954
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,314</b>	(13,484)
Effects of foreign exchange rate change		(937)	893
<b>Cash and cash equivalents at beginning of period</b>		<b>32,140</b>	51,506
<b>Cash and cash equivalents at end of period</b>		<b>36,517</b>	38,915

## Notes to the Financial Statements

### 1. General information

The Company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is Masters House, 107 Hammersmith Road, London W14 0QH.

The Company has its primary listing on the London Stock Exchange.

This condensed consolidated half year financial information, which comprises the Operational Review, the Financial Review, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and notes 1 to 14 to the financial statements, does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2009 were approved by the Board of Directors on 9 February 2010 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 237 of the Companies Act 1985.

This condensed consolidated half year financial information has been reviewed, not audited.

### 2. Basis of preparation

This condensed consolidated half year financial information for the six months ended 30 June 2010 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting', as adopted by the European Union. The condensed consolidated half year financial information, which includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with IFRS as adopted by the European Union. The Group's operations are not significantly exposed to seasonality.

This condensed consolidated half year financial information, including the responsibility statement in the preceding paragraph made in accordance with DTR 4.2.10 (1), was approved on behalf of the Board by Michael Tobin and Brian McArthur-Muscroft on 30 July 2010.

### 3. Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual earnings.

The following standard is mandatory for all companies for the first time in respect of financial years beginning 1 January 2010, however it was early adopted by the Group in earlier periods. A summary of the standard is given below:

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

As the Group has adopted IFRS 3 (revised), it is required to adopt IAS 27 (revised), 'Consolidated and separate financial statements', at the same time. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. There has been no impact of IAS 27 (revised) since adoption, as no non-controlling interests exist. There have been no transactions whereby an interest in an entity is retained after the loss of control of that entity; there have been no transactions with non-controlling interests.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2010, but are not currently relevant for the Group:

- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- IFRIC 18, 'Transfers of assets from customers', effective for transfers of assets received on or after 1 November 2009. This is not relevant to the Group, as it has not received any assets from customers.
- 'Additional exemptions for first time adopters' (amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant for the Group, as it is an existing IFRS preparer.
- Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary by standard but most are effective 1 January 2010.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess IFRS 9's full impact.
- Revised IAS 24, 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011. Earlier application, in whole or in part, is permitted.
- 'Classification of rights issues' (amendment to IAS 32), issued in October 2009. For rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted.
- 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.
- Improvements to International Financial Reporting Standards 2010 were issued in May 2010. The effective dates vary standard-by-standard but most are effective 1 January 2011.

#### 4. Segmental information

The chief operating decision-maker has been identified as the Board of Directors. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Board of Directors considers the business from a geographic perspective, the segments being UK and Ireland and the Rest of Europe.

The Board of Directors assessed the performance of the operating segments based primarily on the measures of revenue and EBITDA. Other information provided, except as noted below, to the Board of Directors is measured in a manner consistent with that in the financial statements.

Certain assets and liabilities, for example cash deposits and bank borrowings, are managed on a central basis and as such have not been allocated to individual segments.

The Group KPIs, referred to in the Business Review, have been applied to the geographic segments in the table below:

KPIs	Six months ended 30 June 2010			Six months ended 30 June 2009		
	UK and Ireland	Rest of Europe	Total	UK and Ireland	Rest of Europe	Total
Revenue (£'000)	48,790	44,903	93,693	42,313	39,932	82,245
EBITDA (£'000)	20,064	17,821	37,885	15,310	14,047	29,357
Total fitted out space (sq.m)	26,972	33,566	60,538	25,772	28,985	54,757
Occupancy (sq.m)	23,922	22,153	46,075	22,881	21,899	44,780
Revenue per sq.m <sup>(1)</sup> (£/sq.m)	2,059	2,080	2,069	1,904	1,968	1,935

(1) Calculated as the revenue for the period divided by the average occupied space during the period.

Other information	£'000	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>	48,790	44,903	93,693	42,313	39,932	82,245
Cost of sales	(22,404)	(20,425)	(42,829)	(20,875)	(19,323)	(40,198)
<b>Gross profit</b>	26,386	24,478	50,864	21,438	20,609	42,047
Depreciation and amortisation charges	(5,159)	(8,241)	(13,400)	(5,789)	(7,009)	(12,798)
Other operating expenses	(6,322)	(6,657)	(12,979)	(6,128)	(6,562)	(12,690)
<b>Operating profit</b>	14,905	9,580	24,485	9,521	7,038	16,559
Finance income			8			86
Finance costs			(3,046)			(2,125)
Other financing items			(7,132)			176
<b>Profit before tax</b>			14,315			14,696
Income tax charge			(1,842)			(1,019)
<b>Profit for the period</b>			12,473			13,677
Segment assets	154,505	211,950	366,455	144,977	169,083	314,060
Unallocated assets			20,443			33,832
<b>Total assets</b>			386,898			347,892
Segment liabilities	(40,116)	(35,849)	(75,965)	(26,566)	(36,843)	(63,409)
Unallocated liabilities			(85,852)			(92,301)
<b>Total liabilities</b>			(161,817)			(155,710)

## 5. Expenses by nature

	Six months ended 30 June 2010 £'000	Six months ended 30 June 2009 £'000
Electricity costs	13,511	13,325
Property costs	14,361	12,576
Staff costs	15,443	14,114
Other costs	12,493	12,873
Depreciation and amortisation charges	13,400	12,798
	<b>69,208</b>	65,686

## 6. Income taxes

The income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate for the year ending 31 December 2010 is approximately 18%. In accordance with IAS 34, the tax effect of exceptional or one-off items has not been included in the calculation of the estimated average annual tax rate.

## 7. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Adjusted earnings per share is calculated on the same basis but uses the adjusted profit attributable to equity holders of the Company.

The adjusted earnings per share is presented as the Directors consider it provides an additional indication of the underlying performance of the Group. Adjusted earnings is calculated by adding back the post tax effect of Other financing items, which comprise foreign exchange on financing items and costs of refinancing, to the retained profit for the period as shown below:

	Six months ended 30 June 2010 £'000	Six months ended 30 June 2009 £'000
Profit attributable to equity holders of the Company	12,473	13,677
Add/(less) exchange losses/(gains) on financing items	865	(176)
Add costs incurred on refinancing	6,267	—
Less tax effect of above	(1,997)	—
Adjusted profit attributable to equity holders of the Company	<b>17,608</b>	13,501

	Six months ended 30 June 2010 Basic	Six months ended 30 June 2009 Basic	Six months ended 30 June 2010 Adjusted	Six months ended 30 June 2009 Adjusted
Profit attributable to equity holders of the Company (£'000)	12,473	13,677	17,608	13,501
Weighted average number of shares in issue ('000)	195,716	195,524	195,716	195,524
Earnings per share (p)	6.4	7.0	9.0	6.9

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, adjusted for the weighted average effect of share options outstanding during the period.

Diluted adjusted earnings per share is calculated on the same basis but uses the adjusted profit attributable to equity holders of the Company.

	<b>Six months ended 30 June 2010 Basic diluted</b>	Six months ended 30 June 2009 Basic diluted	<b>Six months ended 30 June 2010 Adjusted diluted</b>	Six months ended 30 June 2009 Adjusted diluted
Profit attributable to equity holders of the Company (£'000)	<b>12,473</b>	13,677	<b>17,608</b>	13,501
Weighted average diluted number of shares in issue ('000)	<b>199,788</b>	196,602	<b>199,788</b>	196,602
Diluted earnings per share (p)	<b>6.2</b>	7.0	<b>8.8</b>	6.9

## 8. Property, plant and equipment

	Assets in the course of construction £'000	Leasehold improvements £'000	Plant and machinery £'000	Office equipment £'000	Total £'000
<b>Cost</b>					
At 1 January 2009 – as originally stated	48,914	177,420	105,662	8,676	340,672
Recategorisation (see below)	—	(73,744)	75,190	(1,446)	—
<b>At 1 January 2009 – as restated</b>	<b>48,914</b>	<b>103,676</b>	<b>180,852</b>	<b>7,230</b>	<b>340,672</b>
Exchange differences	(4,561)	(13,688)	(9,483)	(470)	(28,202)
Additions	39,309	6,480	10,820	163	56,772
Transfers	(26,943)	26,311	619	13	—
Disposals	—	(40)	—	—	(40)
<b>At 30 June 2009</b>	<b>56,719</b>	<b>122,739</b>	<b>182,808</b>	<b>6,936</b>	<b>369,202</b>
At 1 January 2010	70,763	159,890	196,447	7,325	434,425
Exchange differences	(2,103)	(13,803)	(8,750)	(338)	(24,994)
Additions	2,087	10,328	8,487	201	21,103
Transfers	(12,687)	12,687	—	—	—
Disposals	—	(110)	(970)	(8)	(1,088)
<b>At 30 June 2010</b>	<b>58,060</b>	<b>168,992</b>	<b>195,214</b>	<b>7,180</b>	<b>429,446</b>
<b>Depreciation</b>					
At 1 January 2009 – as originally stated	—	86,311	41,536	6,714	134,561
Recategorisation (see below)	—	(42,626)	43,588	(962)	—
<b>At 1 January 2009 – as restated</b>	<b>—</b>	<b>43,685</b>	<b>85,124</b>	<b>5,752</b>	<b>134,561</b>
Exchange differences	—	(5,852)	(5,185)	(372)	(11,409)
Charge for the period	—	7,331	4,472	408	12,211
Disposals	—	(7)	—	—	(7)
<b>At 30 June 2009</b>	<b>—</b>	<b>45,157</b>	<b>84,411</b>	<b>5,788</b>	<b>135,356</b>
At 1 January 2010	—	54,680	87,275	6,187	148,142
Exchange differences	—	(3,833)	(5,005)	(281)	(9,119)
Charge for the period	—	6,520	5,817	312	12,649
Disposals	—	(59)	(842)	(7)	(908)
<b>At 30 June 2010</b>	<b>—</b>	<b>57,308</b>	<b>87,245</b>	<b>6,211</b>	<b>150,764</b>
<b>Net book value</b>					
<b>At 30 June 2010</b>	<b>58,060</b>	<b>111,684</b>	<b>107,969</b>	<b>969</b>	<b>278,682</b>
At 31 December 2009	70,763	105,210	109,172	1,138	286,283
At 30 June 2009	56,719	77,582	98,397	1,148	233,846

The Group had capital commitments in respect of in progress projects at the period end of £8,804,000 (31 December 2009: £20,911,000; 30 June 2009: £38,911,000).

The net book value of assets held under finance leases at 30 June 2010 is £560,000 (31 December 2009: £812,000; 30 June 2009: £824,000).

Included within additions to assets in the course of construction for the period are capitalised finance and other costs (principally rent and rates incurred during the construction or commissioning phase) in respect of the Group's new data centres, totalling £826,000 and £807,000 respectively (H1 2009: £457,000 and £3,482,000).

During the prior year a review of asset categories was conducted. The result was to recategorise certain types of assets, predominantly from Leasehold improvements into Plant and machinery.

## 9. Borrowings

In February 2010, the Group refinanced its existing banking facility by entering into a five-year financing agreement with Barclays, HSBC, Lloyds Banking Group and RBS. Through this agreement, the total available amount under the Group's banking facilities was increased by £96.0m to £200.0m. The increased facility will be used to finance the Group's continuing demand driven expansion programme.

	30 June 2010 £'000	31 December 2009 £'000	30 June 2009 £'000
Borrowings - current	394	6,343	6,334
Borrowings - non-current	80,840	80,467	78,607
	<b>81,234</b>	86,810	84,941

The Group has undrawn committed loan facilities at the period end as shown below:

	30 June 2010 £'000	31 December 2009 £'000	30 June 2009 £'000
Undrawn committed facilities	<b>103,296</b>	16,707	18,576

## 10. Share capital

	30 June 2010 £'000	31 December 2009 £'000	30 June 2009 £'000
<b>Authorised</b>			
496,431,508 ordinary shares of £0.002 each (31 December 2009: 496,431,508; 30 June 2009: 496,431,508)	<b>993</b>	993	993

	30 June 2010 £'000	31 December 2009 £'000	30 June 2009 £'000
<b>Allotted</b>			
198,092,373 ordinary shares of £0.002 each (31 December 2009: 198,092,373; 30 June 2009: 198,092,373)	<b>396</b>	396	396

The ordinary shares carry no right to fixed income and each ordinary share carries one vote at general meetings.

During the period 128,000 shares were issued following the exercise of share options. All shares were issued from the Company's Employee Benefit Trust for total consideration of £100,000.

## 11. Cash flows from operations

Reconciliation of profit on ordinary activities before taxation to net cash flows from operating activities:

	Six months ended 30 June 2010 £'000	Six months ended 30 June 2009 £'000
Profit on ordinary activities before taxation	14,315	14,696
Add finance costs	3,046	2,125
Less finance income	(8)	(86)
Add/(less) other financing items	7,132	(176)
Depreciation charge	12,649	12,211
Intangible asset amortisation	751	587
Movement in receivables	(1,325)	2,449
Movement in payables	3,848	645
Movement in deferred income	7,767	2,941
Movement in provisions	(231)	(313)
Loss on disposal of property, plant and equipment	123	—
Share-based payments	1,208	742
Exchange movement	(1,395)	(835)
<b>Net cash flows from operations</b>	<b>47,880</b>	<b>34,986</b>

## 12. Contingent liabilities

Financial guarantees granted by the Group's banks in respect of operating leases amount to £9,508,000 at 30 June 2010 (31 December 2009: £9,914,000; 30 June 2009: £11,148,000). At 30 June 2010 the estimated discounted cost of reinstating leasehold properties at the end of leases in accordance with the lease contracts was not materially different from the balance disclosed in the 2009 Annual Report. In accordance with the Group accounting policy, no amount has been provided in the financial statements as it is not considered probable that such liabilities will be incurred.

## 13. Post balance sheet events

On 30 July 2010, the Group entered into a binding agreement to acquire 100% of the share capital of Internet Facilitators Limited ('IFL'), a carrier neutral data centre. The consideration is approximately £21.1m. IFL is a complementary strategic fit and offers the opportunity to continue the Group's growth in the North of England.

## 14. Key performance indicators

During the current period, the Group has modified the way it measures revenue per occupied sq.m. In order to avoid distortions arising from significant movements in occupied space that occur close to the period end, the Group now calculates revenue per occupied sq.m by dividing the revenue for the period by the average occupied space during the period. Previously it had been calculated by dividing the revenue for the period by the period end occupied space. A comparison of the results under both the new and previous methods is given below:

	Six months ended 30 June 2010 New	Six months ended 30 June 2009 New	Six months ended 30 June 2010 Previous	Six months ended 30 June 2009 Previous
Revenue for the period (£'000)	93,693	82,245	93,693	82,245
Relevant occupied space (sq.m)	45,283	42,509	46,075	44,780
Revenue per sq.m. (£/sq.m)	2,069	1,935	2,033	1,837

# **Independent Review Report**

## **to Telecity Group plc**

### **Introduction**

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010, which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Consolidated Cash Flow Statement and related notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim financial reporting', as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

**PricewaterhouseCoopers LLP**  
**Chartered Accountants**  
**1 Embankment Place**  
**London WC2N 6RH**  
**30 July 2010**

## Corporate Information

### Company Secretary

Tony Hunter

### Registered office

Masters House  
107 Hammersmith Road  
London W14 0QH  
T +44 (0)20 7603 1515  
F +44 (0)20 7603 8448

### Operational headquarters

Suite 8.01  
Exchange Tower  
2 Harbour Exchange Square  
London E14 9GE  
T +44 (0)20 7001 0000

### Website

[www.telecitygroup.com](http://www.telecitygroup.com)

### Registered number

5603875

### Registrars

#### **Capita Registrars**

Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
West Yorkshire HD8 OGA

### Corporate advisors

#### **Deutsche Bank AG**

Winchester House  
Great Winchester Street  
London EC2N 2DB

#### **J.P. Morgan Cazenove**

20 Moorgate  
London EC2R 6DA

### Principal bankers

#### **Barclays Bank plc**

1 Churchill Place  
London E14 5HP

#### **HSBC Bank plc**

60 Queen Victoria Street  
London EC4N 4TR

#### **Lloyds Banking Group plc**

10 Gresham Street  
London EC2V 7AE

#### **The Royal Bank of Scotland Group plc**

280 Bishopsgate  
London EC2M 4RB

### Registered auditors

#### **PricewaterhouseCoopers LLP**

Chartered Accountants  
1 Embankment Place  
London WC2N 6RH

### Solicitors

#### **Freshfields Bruckhaus Deringer**

65 Fleet Street  
London EC4Y 1HS

#### **Hogan Lovells LLP**

Atlantic House  
Holborn Viaduct  
London EC1A 2FG

#### **Reed Smith LLP**

The Broadgate Tower  
20 Primrose Street  
London EC2A 2RS

**Amsterdam**

+31 (0)20 564 0800

nl.info@telecity.com

**Manchester**

+44 (0)161 232 3200

uk.info@telecity.com

**Dublin**

+353 (0)1 433 2000

ie.info@telecity.com

**Milan**

+39 02 489 8000

it.info@telecity.com

**Frankfurt**

+49 (0)69 900 210

de.info@telecity.com

**Paris**

+33 (0)1 49 97 30 60

fr.info@telecity.com

**London**

+44 (0)20 7001 0101

uk.info@telecity.com

**Stockholm**

+46 (0)8 799 3800

se.info@telecity.com

***[www.telecitygroup.com](http://www.telecitygroup.com)***