

9 February 2011

## TELECITY GROUP PLC

### Telecity Group plc results for the year ended 31 December 2010

#### TelecityGroup delivers another year of strong growth and confirms positive outlook for 2011

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 year ended 31 December 2010.

#### Highlights

- Revenue up 15.9% to £196.4m (2009: £169.4m), with constant currency revenue growth of 17.7%
- Adjusted<sup>(1)</sup> EBITDA<sup>(2)</sup> up 30.5% to £83.4m (2009: £63.9m)
- Adjusted EBITDA margin up to 42.5% (2009: 37.7%)
- Adjusted profit before tax up 45.0% to £51.4m (2009: £35.4m)
- Adjusted<sup>(1)</sup> diluted earnings per share up 30.2% to 21.1p (2009: 16.2p)
- Operating free cash flow up 25.2% to £74.4m (2009: £59.4m)
- Total available customer power up to 58MW (2009: 51MW)
- Total announced<sup>(3)</sup> customer power up to 107MW
- £200m, five-year senior debt facility arranged in the year

#### Statutory equivalents

The highlights above exclude the effect of exceptional items (note 6) and other financing items (note 7). These items are not considered to be part of the underlying business of the Group. If these items are included, the following statutory equivalents result:

- Profit before tax of £45.9m (2009: £38.1m)
- Diluted earnings per share of 19.0p (2009: 17.6p)

A reconciliation between the adjusted and unadjusted figures is contained in note 9.

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

*"2010 was another year of significant progress for TelecityGroup. The Group achieved excellent results, with strong growth in revenue, adjusted EBITDA, EPS and operating free cash flow.*

*We also secured a substantial amount of additional capacity in key European internet hubs, which will enable us to meet our customers' demand for highly-connected capacity as the digital economy grows.*

*We have enjoyed a good start to 2011, both in terms of trading and progress in our fully funded capacity expansion programme. As such, I am confident that 2011 will be another strong year for TelecityGroup."*

- (1) Adjusted to exclude the effect of exceptional items (note 6) and other financing items (note 7). A reconciliation between the adjusted and unadjusted figures is contained in note 9.
- (2) Earnings before interest, taxation, depreciation and amortisation.
- (3) Total available customer power when all currently announced expansion projects are complete.

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**Notes to Editors**

**Telecity Group plc**

TelecityGroup is Europe's industry-leading provider of premium network independent data centres. TelecityGroup specialises in the design, build and management of highly connected, resilient and secure environments in which customers can house their telecoms, internet and IT infrastructure. Headquartered in London, TelecityGroup's data centres are located in the key European connectivity hubs.

A TelecityGroup data centre is a thriving, connected, digital ecosystem providing direct access to a wide choice of telecoms and content distribution networks, key internet exchange points, and cloud hubs, all of which facilitate the sharing, distribution and storage of data, content, applications and media.

Telecity Group is listed on the London Stock Exchange (LSE: TCY).

[www.TelecityGroup.com/investor](http://www.TelecityGroup.com/investor)

The content of the Telecity Group plc web site should not be considered to form a part of or be incorporated into this announcement.

**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 aims to deliver controlled, sustainable growth by opening and selling high quality, differentiated data centre capacity in the key internet economy cities in Europe to meet the demand for highly connected and resilient capacity that is being driven by the growth in the digital economy.

The Group has generated and aims to continue to generate strong returns on the capital that it invests in expansion by only competing in the premium data centre market, where it can add value for its customers with its high levels of connectivity, excellent infrastructure and service.

TelecityGroup also considers acquisitions within Europe, either for the purpose of entering new markets, or to provide growth capacity in existing markets where its data centres are fully occupied.

In 2010, TelecityGroup achieved strong growth in revenue, adjusted EBITDA, adjusted earnings per share and operating free cash flow. This growth was driven by the investment in new capacity made since 2008.

During the year, the total fitted-out space operated by TelecityGroup increased 9.8% to 64,214 sq.m (2009: 58,496 sq.m) and total available customer power increased 13.7% to 58 megawatts ('MW') (2009: 51MW).

The Group also secured and started the development of incremental capacity in key European internet hubs to facilitate future growth. The Group has now announced plans to increase total space in phased steps to 94,000 sq.m and total customer power to 107MW.

Demand for TelecityGroup's premium data centres remained solid across all of the Group's markets. Demand for highly connected capacity is being driven by the ongoing growth in consumer and business internet traffic and content. Notable developments in these areas included the increased use of mobile devices to access the internet and the growing use of cloud computing.

Demand across the Group's markets from the organic growth of its existing customers and from new contract wins led to year end occupied space increasing 14.9% to 51,116 sq.m (2009: 44,490 sq.m).

TelecityGroup won new business from a broad base of organisations, ranging from relatively new cloud and digital media companies to leading global media, telecoms and financial organisations. The largest proportion of the Group's order wins related to internet content and digital media applications.

The Group's data centres predominantly host specialist mission-critical, low-latency and highly connected applications, as opposed to large back-office or storage requirements. Its revenue base remains diverse, the Group having over 5,000 customer contracts. TelecityGroup's top-25 customers accounted for 35% of order book value at the end of 2010.

Revenue per occupied sq.m<sup>(1)</sup> increased 7.0% to £4,137 (2009: £3,866). On a constant currency basis, revenue per occupied sq.m increased 8.6%. Several factors led to this movement. These included an increase in the proportion of higher density space occupied, site mix and price increases on the opening order book.

### 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 indicators of the Group's performance.

The availability of capacity to enable future growth is important to the Group, therefore the Group monitors both fitted-out space and occupancy. In addition, the amount of revenue generated per occupied sq.m is used to measure the efficiency of each site. During the year, the Group has modified the way in which it measures revenue per occupied sq.m, in order to avoid distortions arising from significant movements in occupied space that occur close to a year end. The Group now calculates revenue per occupied sq.m by dividing the revenue for the year by the average occupied space during the year. Previously this KPI had been calculated by dividing the revenue for the year by the year end occupied space. A comparison between both measurement bases is contained in note 14.

The Group also monitors a number of financial KPIs. Revenue, adjusted EBITDA and adjusted diluted earnings per share are considered to be the main indicators of financial performance. Net debt is monitored both to minimise the Group's finance costs and ensure that sufficient financing capacity exists within the bank facilities for the Group's planned expansion projects.

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

	Year ended 31 December 2010	Yearended 31 December 2009	Change
Revenue (£'000)	<b>196,397</b>	169,383	15.9%
Adjusted EBITDA (£'000)	<b>83,437</b>	63,915	30.5%
Adjusted diluted earnings per share (pence)	<b>21.1</b>	16.2	30.2%
Net debt (£'000)	<b>56,781</b>	55,867	1.6%
Total fitted-out space (sq.m)	<b>64,214</b>	58,496	9.8%
Occupancy (sq.m)	<b>51,116</b>	44,490	14.9%
Revenue per occupied sq.m <sup>(1)</sup> (£/sq.m)	<b>4,137</b>	3,866	7.0%

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

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

TelecityGroup's UK&I segment encompasses operations in London, Manchester and Dublin. London is Europe's primary internet hub and TelecityGroup's leading position in this market drove the strong growth achieved in 2010.

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 13.6% to 30,648 sq.m (2009: 26,972 sq.m). Occupied space increased 15.2% to 27,029 sq.m (2009: 23,462 sq.m). Revenue per occupied sq.m increased 9.1% to £4,167 (2009: £3,820).

In July 2010, TelecityGroup acquired 1.4MW of capacity in Manchester through the purchase of Internet Facilitators Limited ('IFL') for £20.5m (note 12). The IFL acquisition also brought with it the opportunity to develop another site, Manchester 3, which is currently under construction.

### Rest of Europe ('RoE')

TelecityGroup's RoE segment encompasses strong market positions in Amsterdam, Frankfurt, Milan, Paris and Stockholm. The Group is the market leader in Amsterdam, which is the primary internet hub in continental Europe.

During 2010, the Group added incremental capacity in Stockholm, Paris and Milan. Total fitted-out space increased 6.5% to 33,566 sq.m (2009: 31,524 sq.m).

TelecityGroup achieved solid growth across the RoE segment in 2010, benefiting from the organic growth of its existing customer base and significant new contracts from local and international companies.

Across the RoE division occupied space increased 14.5% to 24,087 sq.m (2009: 21,028 sq.m). Revenue per occupied sq.m increased 4.8% to £4,104 (2009: £3,915). On a constant currency basis, revenue per occupied sq.m increased 7.8%.

### Operations

TelecityGroup made significant progress with its capacity expansion programme in 2010. Excluding the acquisition of IFL, the Group opened 3,753 sq.m and 6MW of capacity in London, Paris, Stockholm and Milan.

In addition to this, capacity was secured in key markets to enable the Group to continue to grow into the medium term. TelecityGroup now has a total of 107MW of announced capacity, versus the 58MW that was operational at the end of 2010.

Within its UK&I division, the Group has begun work on capacity expansions at London Powergate, London Docklands and Manchester. The Group has total announced expansion plans of 28MW across these markets, of which 7MW and some 5,000 sq.m are expected to open during 2011.

Within its RoE division, the Group is also progressing work on capacity expansions in Amsterdam, Frankfurt, Paris and Stockholm. The Group has total announced expansion plans of 21MW across these markets, of which 7MW and 4,800 sq.m are expected to open during 2011.

The Group is continually increasing the efficiency of its data centre build process, implementing a common approach and best practice across all of its new builds. Build costs are now typically in the range of £5.5m to £7.5m per MW. This expenditure is weighted towards the first phase of new build data centres, due to the need to initially construct the core infrastructure of the site before it is opened.

## **Responsibility**

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 upgraded the energy efficiency of its existing operations. This has helped to increase productivity and cut power consumption costs as a percentage of revenue to 14.4% (2009: 15.2%).

During 2010, TelecityGroup gained 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; OHSAS 18001 certification, recognising the stringent health and safety systems applied across its operations; and certification to ISO 9001 and ISO 27001, which recognise quality and information security respectively.

## **Current trading and outlook**

TelecityGroup has entered 2011 with a strong order book and a solid order pipeline. As such, management is confident that the Group will deliver a performance in 2011 that is in line with current market expectations. EBITDA margins are expected to remain strong, despite the anticipated increase in the Group's fixed cost base due to the announced programme of phased investment in new capacity to enable medium and longer-term growth.

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.

**Michael Tobin**

***Chief Executive Officer***

8 February 2011

## Financial Review

The Group delivered another year of strong growth. Revenue increased 15.9% to £196.4m (2009: £169.4m), adjusted<sup>(1)</sup> EBITDA<sup>(2)</sup> increased 30.5% to £83.4m (2009: £63.9m) and adjusted<sup>(1)</sup> diluted earnings per share increased 30.2% to 21.1p (2009: 16.2p).

The resulting operating free cash flow of £74.4m (2009: £59.4m) was largely invested in the Group's demand driven expansion programme. Total investment expenditure, including the acquisition of IFL, was £69.6m (2009: £88.5m). Due to efficient capital management, the Group has managed to make savings on its capital expansion programme and defer approximately £7.5m of capital cash outflows until 2011.

As a significant proportion of the Group's results are denominated in foreign currencies, fluctuations in foreign exchange rates impact the Group's reported results. On a constant currency basis, revenue and adjusted EBITDA growth were 17.7% and 33.6% respectively.

### Financial strategy

The Group's financial strategy is to provide a strong and efficient financial base from which it can grow in a controlled and sustainable manner. During 2010 the Group focused on the following areas:

- ensuring revenue growth translates into earnings growth;
- providing adequate finance for investments that meet the Group's strict investment criteria;
- minimising the cost of debt, focusing on the lowest possible cost of capital for the Group; and
- efficient management of working capital.

Responsible pricing, strict cost control and capital efficiency ensured that the revenue growth of 15.9% resulted in adjusted EBITDA and adjusted EPS growth of 30.5% and 30.2% respectively. The adjusted EPS growth is despite absorbing a higher tax charge. Adjusted profit before tax increased 45.0%.

In February 2010, the Group secured a new £200m five-year senior debt facility provided jointly by Barclays, HSBC, Lloyds and RBS. This facility provides the Group with additional flexibility to capitalise on expansion opportunities. Furthermore, the Group has capacity for additional debt finance should it be needed.

The total cost of debt, calculated as finance costs for the year divided by the average debt for the year, was 5.5% (2009: 4.5%). Year end net debt was £56.8m (2009: £55.9m).

Additional cash of £10.2m (2009: £8.1m) has been delivered through management of working capital. Due to the advance billing cycle, the Group's business model is naturally working capital generative. This has been further enhanced through efficient management of the Group's trade receivables.

### Revenue

The Group delivered strong revenue growth of £27.0m (15.9%) resulting in revenue of £196.4m (2009: £169.4m).

UK&I revenue grew 19.6% to £103.4m (2009: £86.5m) and RoE revenue increased 12.1% to £93.0m (2009: £82.9m). In RoE, revenue on a constant currency basis increased 15.3%.

Revenue from colocation and related services increased 17.8% and 8.2% 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 revenue is recurring.

### Adjusted EBITDA

Adjusted EBITDA increased to £83.4m (2009: £63.9m) and adjusted EBITDA margin increased to 42.5% (2009: 37.7%). The growth in adjusted EBITDA margin has been achieved more quickly than anticipated. Margins are expected to remain strong despite the increase in operating costs associated with the delivery of the announced incremental capacity.

UK&I adjusted EBITDA grew 33.3% to £45.2m (2009: £33.9m) and RoE adjusted EBITDA increased 27.4% to £38.3m (2009: £30.0m).

(1) Adjusted to exclude the effect of exceptional items (note 6) and other financing items (note 7). A reconciliation between the adjusted and unadjusted figures is contained in note 9.

(2) Earnings before interest, taxation, depreciation and amortisation.

Adjusted EBITDA flow-through, (the increase in adjusted EBITDA divided by the increase in revenue) was 72.3% (2009: 64.6%). This is the result of the natural operational leverage of the business supported by the continued focus on cost control.

Other companies in the sector exclude share-based payments from adjusted EBITDA. For comparative purposes the equivalent figure for the Group was £85.9m (2009: £65.5m).

### **Operating costs**

Operating costs, excluding exceptional items, increased 7.5% to £140.0m (2009: £130.3m), including a £1.7m reduction in costs as a result of exchange rate movements.

An analysis of operating costs is as follows:

- Electricity costs of £28.3m (2009: £25.8m) represented 14.4% of revenue (2009: 15.2%). The increase included a £0.4m saving due to exchange rate movements. The underlying (i.e. before the effect of foreign exchange) increase of £2.9m is principally due to net increased customer usage. The Group seeks to recover the cost of electricity directly used by its customers' equipment together with the associated supporting infrastructure electricity costs, for example cooling. The Group continued its focus on power efficiency as it expects this cost to become increasingly significant in future.
- Property costs of £27.6m (2009: £26.3m) represented 14.1% of revenue (2009: 15.5%). The increase included a £0.3m saving due to exchange rate movements. The underlying difference of £1.6m was mainly due to additional rent and rates associated with the opening of new capacity.
- Staff costs of £32.1m (2009: £28.6m) represented 16.3% of revenue (2009: 16.9%). The increase included a £0.3m saving due to exchange rate movements. The underlying movement of £3.8m was due to an increase in the share-based payment charge following a grant under the Performance Share Plan in February 2010, an increase in headcount and annual salary increases.
- Other costs of £25.0m (2009: £24.7m) represented 12.7% of revenue (2009: 14.6%). The movement included a £0.2m saving due to exchange rate movements. In addition, the prior year balance included a loss on a foreign currency hedging instrument of £2.6m; there were no such instruments in the current year. The underlying increase of £3.1m was mainly due to growth in other costs included within cost of sales, marketing and administration as the business grew.
- The depreciation and amortisation charge increased by £2.3m to £27.1m (2009: £24.8m). The increase included a £0.4m saving due to exchange rate movements. The underlying increase of £2.7m was due to additional depreciation from the new data centres. Such depreciation commences when a data centre, or a part thereof, is brought into use.

### **Capital expenditure**

The Group continued its demand driven phased expansion programme. During the year total cash capital expenditure totalled £62.5m (2009: £99.9m). This expenditure comprised expansion capital expenditure of £49.2m (2009: £88.5m) and operational capital expenditure of £13.3m (2009: £11.4m). Expansion capital expenditure delivered additional customer capacity through new data centres or through the expansion of existing sites. Operational capital expenditure related to maintenance and enhancement of the existing customer capacity (particularly in the area of energy efficiency), equipment for new customer installations (for example racks and cages) and other capital expenditure.

### **Acquisition**

On 30 July 2010, the Group acquired 100% of the share capital of IFL for cash consideration of £20.5m. As part of the acquisition the Group incurred professional fees and restructuring payments in respect of existing IFL employees. Such costs totalled £1.2m and have been disclosed separately from the results of the underlying business as exceptional items.

The acquisition contributed capital assets of £4.6m, intangible assets in respect of customer contracts of £5.7m and other net liabilities of £2.6m. Goodwill of £12.8m arose on the acquisition.

Since acquisition, IFL has contributed £2.8m and £1.2m to revenue and adjusted EBITDA respectively.

## Financing

In February 2010 the Group arranged a new £200m five-year senior debt facility. This facility, along with the operating cash flows of the business, provides the Group with sufficient financial resources to fund all currently announced capital expenditure, along with the flexibility to capitalise on further expansion opportunities. The strong financial base of the Group provides further capacity for debt finance should it be required.

At the end of the year, the Group had net debt (including finance leases) of £56.8m (2009: £55.9m).

Finance costs for the year were £5.0m (2009: £3.8m). Finance costs comprise interest on bank loans of £2.3m (2009: £2.6m), commitment fees of £1.3m (2009: £0.1m), unwinding of loan issue costs and discount on provisions of £1.2m (2009: £0.7m) and other finance costs of £0.2m (2009: £0.3m). Interest on bank loans is stated net of capitalised interest of £2.5m (2009: £1.7m). It is the Group's policy to capitalise interest on the borrowings funding assets in the course of construction.

Interest accrues on the Group's borrowings at LIBOR, or equivalent based on the currency of borrowings, plus a margin. 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 year end valuation of the interest rate swaps is included on the balance sheet under the heading of derivative financial instruments.

Other financing items for the year were £4.2m (2009: income £2.7m). Included within other financing items are foreign exchange gains on financing items of £2.1m (2009: £2.7m) and costs incurred upon refinancing of £6.3m (2009: £nil). Included within refinancing costs are interest rate swap break costs of £4.9m and the write-off of £0.8m of unamortised arrangement fees associated with the historic loan. In addition to the costs immediately expensed, 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 adjusted tax charge for the year was £9.2m (2009: £3.4m) or 17.9% (2009: 9.6%) of adjusted profit before tax. The tax charge benefited from the recognition of tax assets, mainly tax losses, which were previously unrecognised. The impact of this recognition was to reduce the tax charge by £4.9m (2009: £7.4m). Without this credit, the adjusted tax rate would have been 27.4% (2009: 30.4%).

The above adjusted tax charge and effective rate are adjusted by the tax on exceptional items (note 6) and other financing items (note 7). Including these items, the total tax charge and effective rate for the year are £7.9m (2009: £3.4m) and 17.2% (2009: 8.9%) respectively. The total tax charge comprised current and deferred tax of £5.0m (2009: £3.4m) and £3.0m (2009: £nil) respectively. The deferred tax charge represents the fact that tax assets, losses and capital allowances, are being used to shelter current tax liabilities. The proportion of the tax charge that relates to current tax is expected to increase in the future.

The Group has recognised all tax assets to the extent their recovery is considered probable. The Group has further deferred tax assets of £16.5m (2009: £21.4m), the recovery of which is uncertain in respect of either timing or amount. As such these tax assets have not been recognised. Pending utilisation of these assets, the Group expects to incur a full tax charge in future years.

## Earnings per share

The strong financial performance resulted in an 30.2% growth in adjusted diluted earnings per share ('adjusted EPS') to 21.1p (2009: 16.2p). Adjusted EPS is calculated based on adjusted profit after tax. A reconciliation between the adjusted and unadjusted profit and EPS is given below.

	<b>Year ended 31 December 2010 £'000</b>	<b>Year ended 31 December 2009 £'000</b>	<b>Year ended 31 December 2010 Pence</b>	<b>Year ended 31 December 2009 Pence</b>
Profit after tax/unadjusted EPS	<b>38,031</b>	34,722	<b>19.0</b>	17.6
Add/(less) other financing items (note 7)	<b>4,226</b>	(2,689)	<b>2.1</b>	(1.4)
Add exceptional items (note 6)	<b>1,206</b>	-	<b>0.6</b>	-
Less tax effect of above	<b>(1,270)</b>	-	<b>(0.6)</b>	-
Adjusted profit after tax/adjusted EPS	<b>42,193</b>	32,033	<b>21.1</b>	16.2

## **Cash flow**

Operating free cash flow increased to £74.4m (2009: £59.4m). The Group's strong cash performance was primarily a result of the increased adjusted EBITDA of £83.4m (2009: £63.9m), enhanced by working capital cash inflows derived from the advance billing cycle operated by the Group and efficient working capital management. Cash flows from working capital were enhanced by £3.8m due to a customer advance payment made in order to secure capacity.

Operating free cash flow is stated after operational capital expenditure of £13.3m (2009: £11.4m). In addition to operational capital expenditure, the Group invested £49.2m (2009: £88.5m) in organic expansion capital expenditure, further details of which are contained in the capital expenditure section above. IFL was acquired for cash consideration of £20.5m resulting in total cash flows used in investing activities of £69.6m (2009: £88.5m).

As mentioned above, the Group refinanced its senior debt facilities during the year. One time amounts paid in respect of the refinancing process and new loan facility totalled £10.4m. 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 year, the Group made net repayments under the senior debt facility totalling £2.7m (2009: draw downs £7.6m).

## **Balance sheet**

The Group's intangible assets, which have a book value of £62.6m (2009: £46.1m), comprise acquired customer contracts and goodwill. The acquisition of IFL increased the value of customer contracts and goodwill by £5.7m and £12.8m respectively.

The customer contracts were valued based on the net present value of post-tax cash flows expected to arise from the acquired contracts after deducting contributory asset charges. The goodwill arising on acquisition represents profits expected from future customer wins along with synergies arising from the integration of the business within the existing Group.

Offsetting these increases was an amortisation charge of £1.7m (2009: £1.2m). As part of the intangible assets are denominated in Euros, there was also a reduction of £0.4m due to foreign exchange movements.

The year end carrying value of property, plant and equipment was £317.8m (2009: £286.3m). Accounting additions of £56.5m (2009: £110.9m) were made during the year; the difference from the cash capital expenditure above of £62.5m is due to the timing of payments over the current and previous year ends. The depreciation charge for the year was £25.4m (2009: £23.6m). As a significant proportion of the Group's capital assets are denominated in Euros, the relative strengthening of Sterling against the Euro since 31 December 2009 resulted in a reduction in the net book value of property, plant and equipment of £4.1m (2009: £7.0m).

Current trade and other receivables were £22.1m (2009: £19.5m). Contained within this balance are trade receivables, other receivables, prepayments and accrued income. Trade receivables have increased slightly to £11.7m (2009: £10.5m) due to the increase in revenue. Other receivables have remained stable at £0.8m (2009: £0.9m). Prepayments have increased to £8.6m (2009: £7.0m) due to higher prepaid property rentals. Accrued income remained level at £1.1m (2009: £1.1m).

Provisions for other liabilities and charges were £5.7m (2009: £7.1m), split between current and non-current of £0.9m (2009: £1.0) and £4.8m (2009: £6.1m) respectively. The provisions relate to property leases on sites that the Group does not currently intend to utilise. Strategic options in respect of such leases continue to be explored.

Current trade and other payables have remained stable at £47.1m (2009: £47.1m) and include amounts due in respect of capital items of £12.5m (2009: £20.3m).

Deferred income was £33.9m (2009: £25.3m), split between current and non-current of £28.7m (2009: £23.7m) and £5.3m (2009: £1.5m) respectively. The balance increased due to the growth of the business and the upfront customer payment referred to above.

**Total equity**

Equity shareholders' funds increased by £38.6m to £257.5m (2009: £218.9m), comprising total comprehensive income of £35.1m (2009: £30.9m) and equity transactions of £3.5m (2009: £1.7m).

Total comprehensive income comprised retained profits for the year of £38.0m (2009: £34.7m) less currency translation differences on the Group's foreign currency net investments of £5.9m (2009: £9.4m). The reduction in the Group's foreign currency net investments is due to the strengthening of Sterling relative to the Euro during the year. In addition, the Group recognised a fair value gain, net of tax, of £3.0m (2009: £5.5m) on its cash flow hedging agreements.

Within equity transactions, the Group credited to reserves £2.4m (2009 £1.6m) in respect of share-based payments. In addition, the Group received £1.1m (2009: £0.1m) in respect of shares issued under the Group's share option schemes.

**Brian McArthur-Muscroft**

***Group Finance Director***

8 February 2011

## CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
<b>Revenue</b>	4	<b>196,397</b>	169,383
Cost of sales		<b>(86,624)</b>	(80,656)
<b>Gross profit</b>		<b>109,773</b>	88,727
Sales and marketing costs		<b>(7,517)</b>	(6,415)
Administrative costs analysed:			
Depreciation and amortisation charges		<b>(27,058)</b>	(24,813)
Exceptional items	6	<b>(1,206)</b>	—
Other administrative costs		<b>(18,819)</b>	(18,397)
Total administrative costs		<b>(47,083)</b>	(43,210)
<b>Operating profit</b>		<b>55,173</b>	39,102
Finance income		<b>11</b>	117
Finance costs		<b>(5,017)</b>	(3,788)
Other financing items	7	<b>(4,226)</b>	2,689
<b>Profit on ordinary activities before taxation</b>		<b>45,941</b>	38,120
Income tax charge	8	<b>(7,910)</b>	(3,398)
<b>Retained profit for the year</b>		<b>38,031</b>	34,722
<b>Earnings per share:</b>			
<b>basic (p)</b>	9	<b>19.4</b>	17.8
<b>diluted (p)</b>	9	<b>19.0</b>	17.6
<b>Adjusted earnings per share:</b>			
<b>basic (p)</b>	9	<b>21.5</b>	16.4
<b>diluted (p)</b>	9	<b>21.1</b>	16.2

### Supplementary income statement information

<b>Adjusted<sup>(1)</sup> EBITDA<sup>(2)</sup></b>		<b>83,437</b>	63,915
Depreciation and amortisation charges		<b>(27,058)</b>	(24,813)
Exceptional items	6	<b>(1,206)</b>	—
<b>Operating profit</b>		<b>55,173</b>	39,102

(1) Adjusted to exclude exceptional items (note 6).

(2) Earnings before interest, taxation, depreciation and amortisation.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Profit for the year	<b>38,031</b>	34,722
<b>Other comprehensive income:</b>		
Currency translation differences on foreign currency net investments	<b>(5,903)</b>	(9,365)
Interest rate cash flow hedge	<b>2,974</b>	531
Foreign exchange cash flow hedges	—	4,977
<b>Other comprehensive income for the year net of tax</b>	<b>(2,929)</b>	(3,857)
<b>Total comprehensive income recognised in year attributable to equity holders</b>	<b>35,102</b>	30,865

Items in the statement above are disclosed net of tax.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium account £'000	Retained profits £'000	Own shares £'000	Cumulative translation reserve £'000	Total £'000
At 1 January 2009 – as originally stated	396	74,127	92,917	(4,266)	25,330	188,504
Prior year adjustment <sup>(1)</sup>	—	—	(2,088)	—	—	(2,088)
<b>At 1 January 2009 – as restated</b>	<b>396</b>	<b>74,127</b>	<b>90,829</b>	<b>(4,266)</b>	<b>25,330</b>	<b>186,416</b>
Profit for the year	—	—	34,722	—	—	34,722
Other comprehensive income:						
Currency translation differences on foreign currency net investments	—	—	—	—	(9,365)	(9,365)
Fair value movement on cash flow hedges	—	—	5,508	—	—	5,508
<b>Total comprehensive income for the year ended 31 December 2009</b>	<b>—</b>	<b>—</b>	<b>40,230</b>	<b>—</b>	<b>(9,365)</b>	<b>30,865</b>
Transactions with owners:						
Credit to equity for share-based payments	—	—	1,559	—	—	1,559
Issue of shares	—	—	—	91	—	91
	—	—	1,559	91	—	1,650
<b>At 31 December 2009</b>	<b>396</b>	<b>74,127</b>	<b>132,618</b>	<b>(4,175)</b>	<b>15,965</b>	<b>218,931</b>
<b>At 1 January 2010</b>	<b>396</b>	<b>74,127</b>	<b>132,618</b>	<b>(4,175)</b>	<b>15,965</b>	<b>218,931</b>
Profit for the year	—	—	38,031	—	—	38,031
Other comprehensive income:						
Currency translation differences on foreign currency net investments	—	—	—	—	(5,903)	(5,903)
Fair value movement on cash flow hedges net of tax	—	—	2,974	—	—	2,974
<b>Total comprehensive income for the year ended 31 December 2010</b>	<b>—</b>	<b>—</b>	<b>41,005</b>	<b>—</b>	<b>(5,903)</b>	<b>35,102</b>
Transactions with owners:						
Credit to equity for share-based payments	—	—	2,420	—	—	2,420
Issue of shares	—	—	—	1,092	—	1,092
	—	—	2,420	1,092	—	3,512
<b>At 31 December 2010</b>	<b>396</b>	<b>74,127</b>	<b>176,043</b>	<b>(3,083)</b>	<b>10,062</b>	<b>257,545</b>

<sup>(1)</sup> Restated as described in note 3.

## CONSOLIDATED BALANCE SHEET

	31 December 2010	31 December 2009 <sup>(1)</sup>	31 December 2008 <sup>(1)</sup>
Notes	£'000	£'000	£'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	62,564	46,118	49,165
Property, plant and equipment	10 317,832	286,283	206,111
Deferred income taxes	6,659	8,028	6,124
Trade and other receivables	2,888	3,137	2,844
	<b>389,943</b>	<b>343,566</b>	<b>264,244</b>
<b>Current assets</b>			
Trade and other receivables	22,139	19,483	27,965
Cash and cash equivalents	24,362	32,140	51,506
	<b>46,501</b>	<b>51,623</b>	<b>79,471</b>
<b>Total assets</b>	<b>436,444</b>	<b>395,189</b>	<b>343,715</b>
<b>Equity</b>			
Share capital	396	396	396
Share premium account	74,127	74,127	74,127
Retained earnings	176,043	132,618	90,829
Other reserves	6,979	11,790	21,064
<b>Total equity</b>	<b>257,545</b>	<b>218,931</b>	<b>186,416</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred income	5,268	1,535	1,075
Borrowings	11 80,035	80,467	72,566
Obligations under finance leases	619	1,000	1,117
Derivative financial instruments	657	2,313	3,303
Provisions for other liabilities and charges	4,837	6,078	7,501
Deferred income taxes	5,009	1,904	—
	<b>96,425</b>	<b>93,297</b>	<b>85,562</b>
<b>Current liabilities</b>			
Trade and other payables	47,085	47,089	35,694
Deferred income	28,665	23,741	21,799
Current income tax liabilities	4,670	2,954	—
Borrowings	11 297	6,343	6,689
Obligations under finance leases	192	197	421
Derivative financial instruments	698	1,649	6,167
Provisions for other liabilities and charges	867	988	967
	<b>82,474</b>	<b>82,961</b>	<b>71,737</b>
<b>Total liabilities</b>	<b>178,899</b>	<b>176,258</b>	<b>157,299</b>
<b>Total equity and liabilities</b>	<b>436,444</b>	<b>395,189</b>	<b>343,715</b>

<sup>(1)</sup> Restated as described in note 3.

## CONSOLIDATED CASH FLOW STATEMENT

	Notes	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
<b>Cash inflow from operations</b>	13	<b>95,174</b>	74,017
Interest received		15	117
Interest paid		(4,555)	(2,829)
Interest element of finance lease payments		(49)	—
Taxation paid		(2,864)	(434)
<b>Cash inflow from operating activities</b>		<b>87,721</b>	70,871
Purchase of operational property, plant and equipment		(13,332)	(11,441)
<b>Operating free cash flow</b>		<b>74,389</b>	59,430
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries		(20,526)	—
Purchase of expansion related property, plant and equipment		(49,152)	(88,488)
Proceeds from disposal of property, plant and equipment		64	—
<b>Net cash used in investing activities</b>		<b>(69,614)</b>	(88,488)
<b>Cash flows from financing activities</b>			
Net proceeds on issue of ordinary share capital		1,092	91
Amounts paid in respect of costs relating to refinancing		(10,367)	—
Repayment of obligations under finance leases		(333)	(285)
Proceeds from borrowings		113,112	13,606
Repayment of borrowings		(115,844)	(6,000)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(12,340)</b>	7,412
<b>Net decrease in cash and cash equivalents</b>		<b>(7,565)</b>	(21,646)
Effects of foreign exchange rate change		(213)	2,280
Cash and cash equivalents at beginning of year		32,140	51,506
<b>Cash and cash equivalents at end of year</b>		<b>24,362</b>	32,140

## 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.

### 2. Basis of preparation

The preliminary announcement does not constitute full financial statements.

The results for the year ended 31 December 2010 included in this preliminary announcement are extracted from the audited financial statements for the year ended 31 December 2010 which were approved by the Directors on 8 February 2011. The auditors' report on those financial statements was unqualified and did not include a statement under Section 237(2) or 237(3) of the 2006 Companies Act.

The 2010 Annual Report will be posted to shareholders in advance of the Annual General Meeting to be held on 12 April 2011. The financial statements for the year ended 31 December 2009 have been delivered to the Registrar of Companies and those for 31 December 2010 will be delivered to the Registrar of Companies following the Annual General Meeting.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ('IFRSs'), this announcement does not itself contain sufficient information to comply with the disclosure aspects of IFRSs.

The consolidated preliminary announcement of the Group has been prepared in accordance with EU Endorsed International Financial Reporting Standards ('IFRSs'), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value.

The preparation of the preliminary announcement in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in the Group's financial statements.

### 3. Prior year adjustment

During the year, the Group reviewed the method for deferring set-up fees with reference to its revenue recognition policy. Whilst this review has not impacted reported revenue or profits for either of the years presented, it has resulted in an increase to the balance sheet deferred income account in relation to transactions in the pre-IPO period (i.e. before 2007) with an associated adjustment to the balance sheet deferred tax account and, in accordance with IAS 8, to opening reserves. The post tax effect of the adjustment is £2.1m as disclosed in the Consolidated Statement of Changes in Equity. The effect of the adjustment is summarised below:

	31 December 2010 £'000	31 December 2009 £'000	31 December 2008 £'000
Increase to deferred income	<b>2,838</b>	2,838	2,838
Increase to deferred income taxes	<b>(750)</b>	(750)	(750)
Reduction in total equity	<b>(2,088)</b>	(2,088)	(2,088)
Impact on income statement	—	—	—

#### 4. Segmental information

The chief operating decision-maker has been identified as the Board of Directors (the 'Board'). The Board 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 considers the business from a geographic perspective and principally assesses the performance of the UK and Ireland, and the Rest of Europe. When further detail is required the results of individual countries are reviewed.

The Group derives its revenue from the provision of colocation and related services in France, Germany, Italy, Ireland, the Netherlands, Sweden and the United Kingdom. Due to similarities in services, customers, regulatory environment and economic characteristics across the countries in which the Group operates, the Group aggregates certain segments in order to provide more meaningful analysis.

The Board assess the performance of the operating segments based primarily on key performance indicators ('KPIs') which are set out below. These KPIs have been chosen because they are considered to be the main indicators of the Group's performance. Other information provided to the Board 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.

KPIs	Year ended 31 December 2010			Year ended 31 December 2009		
	UK and	Rest of	Total	UK and	Rest of	Total
	Ireland	Europe		Ireland	Europe	
Revenue (£'000)	103,430	92,967	196,397	86,457	82,926	169,383
Adjusted EBITDA (£'000)	45,170	38,267	83,437	33,875	30,040	63,915
Year end fitted-out space (sq.m)	30,648	33,566	64,214	26,972	31,524	58,496
Year end occupancy (sq.m)	27,029	24,087	51,116	23,462	21,028	44,490
Revenue per sq.m <sup>(1)</sup> (£/sq.m)	4,167	4,104	4,137	3,820	3,915	3,866
Net debt (£'000)			56,781			55,867

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

Income statement information	£'000	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>	103,430	92,967	196,397	86,457	82,926	169,383
Cost of sales	(45,479)	(41,145)	(86,624)	(42,398)	(38,258)	(80,656)
<b>Gross profit</b>	57,951	51,822	109,773	44,059	44,668	88,727
Depreciation and amortisation charges	(11,209)	(15,849)	(27,058)	(10,501)	(14,312)	(24,813)
Operating expenses	(12,781)	(13,555)	(26,336)	(10,184)	(14,628)	(24,812)
Exceptional items (note 6)	(1,206)	—	(1,206)	—	—	—
Total operating costs	(25,196)	(29,404)	(54,600)	(20,685)	(28,940)	(49,625)
<b>Operating profit</b>	32,755	22,418	55,173	23,374	15,728	39,102
Finance income			11			117
Finance costs			(5,017)			(3,788)
Other financing items			(4,226)			2,689
<b>Profit before tax</b>			45,941			38,120
Income tax charge			(7,910)			(3,398)
<b>Profit for the year</b>			38,031			34,722
<b>Supplementary non-statutory information</b>						
<b>Adjusted EBITDA</b>	45,170	38,267	83,437	33,875	30,040	63,915
Depreciation and amortisation charges	(11,209)	(15,849)	(27,058)	(10,501)	(14,312)	(24,813)
Exceptional items (note 6)	(1,206)	—	(1,206)	—	—	—
<b>Operating profit</b>	32,755	22,418	55,173	23,374	15,728	39,102

	Year ended 31 December 2010			Year ended 31 December 2009		
	UK and Ireland £'000	Rest of Europe £'000	Total £'000	UK and Ireland £'000	Rest of Europe £'000	Total £'000
Segment assets	187,769	226,370	414,139	147,732	223,975	371,707
Unallocated assets			22,305			23,482
<b>Total assets</b>			<b>436,444</b>			<b>395,189</b>
Segment liabilities	(42,726)	(41,400)	(84,126)	(29,787)	(50,247)	(80,034)
Unallocated liabilities			(94,773)			(96,224)
<b>Total liabilities</b>			<b>(178,899)</b>			<b>(176,258)</b>
Additions to intangible assets	18,522	—	18,522	—	—	—
Additions to property, plant and equipment	38,640	22,532	61,172	16,241	94,704	110,945
<b>Additions to Non-current assets</b>	<b>57,162</b>	<b>22,532</b>	<b>79,694</b>	<b>16,241</b>	<b>94,704</b>	<b>110,945</b>

Segment assets consist primarily of property, plant and equipment, intangible assets, trade and other receivables and cash and cash equivalents. Segment liabilities principally comprise trade and other payables, deferred income and provisions for other liabilities and charges. Unallocated amounts comprise items such as Group borrowings and derivative financial instruments.

Inter-segment trading is not material in either the current or prior year.

The Group has no customers which make up greater than 10% of revenue during the year.

## 5. Expenses by nature

	Year ended 31 December 2010			Year ended 31 December 2009		
	Adjusted £'000	Exceptional £'000	Total £'000	Adjusted £'000	Exceptional £'000	Total £'000
Electricity costs	28,322	—	28,322	25,827	—	25,827
Property costs	27,598	—	27,598	26,300	—	26,300
Staff and staff-related costs	32,075	—	32,075	28,618	—	28,618
Other costs	24,965	1,206	26,171	24,723	—	24,723
Depreciation and amortisation charges	27,058	—	27,058	24,813	—	24,813
	<b>140,018</b>	<b>1,206</b>	<b>141,224</b>	<b>130,281</b>	<b>—</b>	<b>130,281</b>

## 6. Exceptional items

As detailed in note 12, during the year the Group acquired the entire share capital of IFL. As part of the acquisition the Group incurred professional fees and one-off payments in respect of existing IFL employees. Such costs totalled £1,206,000 and have been disclosed separately from the results of the underlying business as exceptional items.

## 7. Other financing items

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Net foreign exchange gains on financing items	2,057	2,689
Costs incurred on refinancing	(6,283)	—
	<b>(4,226)</b>	2,689

During the year the Group entered into a new £200m five-year financing agreement with Barclays, HSBC, Lloyds Banking Group and RBS. Included within the costs incurred on refinancing are interest rate swap break costs of £4,940,000 and the write-off of historic loan arrangement fees of £796,000.

## 8. Income tax charge

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
<b>Current tax</b>		
Current tax on profit for the year	5,457	3,398
Adjustments in respect of prior years	(507)	—
Total current tax	4,950	3,398
<b>Deferred tax</b>		
Recognition of previously unrecognised tax losses	(4,906)	(7,369)
Origination and reversal of temporary differences	8,042	7,369
Impact of change in UK tax rate	(176)	—
Total deferred tax	2,960	—
<b>Income tax charge</b>	<b>7,910</b>	3,398

The tax recorded in the income statement on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group as follows:

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Profit before tax	45,941	38,120
Tax calculated at domestic tax rates applicable to profits in the respective countries	12,640	10,614
Items not taken into account for tax purposes and other differences	859	153
Recognition of previously unrecognised deferred tax assets	(4,906)	(7,369)
Adjustment in respect of prior years	(507)	—
Re-measurement of deferred tax – change in UK tax rate to 27%	(176)	—
	<b>7,910</b>	3,398

## 9. 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 year. 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 (note 7) and exceptional items (note 6) to the retained profit for the year as shown below:

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Profit attributable to equity holders of the Company	<b>38,031</b>	34,722
Add/(less) other financing items (note 7)	<b>4,226</b>	(2,689)
Add exceptional items (note 6)	<b>1,206</b>	—
Less tax effect of above	<b>(1,270)</b>	—
<b>Adjusted profit attributable to equity holders of the Company</b>	<b>42,193</b>	<b>32,033</b>

	Year ended 31 December 2010 Basic	Year ended 31 December 2009 Basic	Year ended 31 December 2010 Adjusted	Year ended 31 December 2009 Adjusted
Profit attributable to equity holders of the Company (£'000)	<b>38,031</b>	34,772	<b>42,193</b>	32,033
Weighted average number of shares in issue ('000)	<b>195,870</b>	195,563	<b>195,870</b>	195,563
Earnings per share (p)	<b>19.4</b>	17.8	<b>21.5</b>	16.4

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 year, adjusted for the weighted average effect of share options outstanding during the year.

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

	Year ended 31 December 2010 Basic diluted	Year ended 31 December 2009 Basic diluted	Year ended 31 December 2010 Adjusted diluted	Year ended 31 December 2009 Adjusted diluted
Profit attributable to equity holders of the Company (£'000)	<b>38,031</b>	34,772	<b>42,193</b>	32,033
Weighted average diluted number of shares in issue ('000)	<b>200,174</b>	197,815	<b>200,174</b>	197,815
Diluted earnings per share (p)	<b>19.0</b>	17.6	<b>21.1</b>	16.2

## 10. 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	(740)	(6,486)	(5,532)	(270)	(13,028)
Additions	45,183	41,860	23,504	398	110,945
Transfers	(22,594)	21,962	619	13	—
Disposals	—	(1,122)	(2,996)	(46)	(4,164)
<b>At 1 January 2010</b>	<b>70,763</b>	<b>159,890</b>	<b>196,447</b>	<b>7,325</b>	<b>434,425</b>
Exchange differences	(10)	(2,593)	(4,274)	(141)	(7,018)
Acquisition (note 12)	—	3,204	1,423	11	4,638
Additions	28,650	4,199	23,034	651	56,534
Transfers	(50,442)	21,522	28,904	16	—
Disposals	—	(108)	(1,058)	(14)	(1,180)
<b>At 31 December 2010</b>	<b>48,961</b>	<b>186,114</b>	<b>244,476</b>	<b>7,848</b>	<b>487,399</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	—	(2,713)	(3,119)	(205)	(6,037)
Charge for year	—	14,768	8,185	686	23,639
Disposals	—	(1,060)	(2,915)	(46)	(4,021)
<b>At 1 January 2010</b>	<b>—</b>	<b>54,680</b>	<b>87,275</b>	<b>6,187</b>	<b>148,142</b>
Exchange differences	—	(505)	(2,349)	(113)	(2,967)
Charge for year	—	13,450	11,379	565	25,394
Disposals	—	(58)	(932)	(12)	(1,002)
<b>At 31 December 2010</b>	<b>—</b>	<b>67,567</b>	<b>95,373</b>	<b>6,627</b>	<b>169,567</b>
<b>Net book value</b>					
<b>At 31 December 2010</b>	<b>48,961</b>	<b>118,547</b>	<b>149,103</b>	<b>1,221</b>	<b>317,832</b>
At 1 January 2010	70,763	105,210	109,172	1,138	286,283
At 1 January 2009	48,914	59,991	95,728	1,478	206,111

The net book value of assets held under finance leases at 31 December 2010 is £547,000 (2009: £812,000). Such assets are categorised as plant and machinery in the above table.

Included within additions to assets in the course of construction for the year 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 £2,527,000 and £1,922,000 respectively (2009: £1,713,000 and £4,858,000).

During the prior year a review of asset lives was conducted, which allocated assets into depreciation classes which more closely reflect the expected useful economic lives of individual assets than previously. The review also recategorised certain types of assets, predominantly from leasehold improvements into plant and machinery.

## 11. Borrowings

	31 December 2010 £'000	31 December 2009 £'000
Borrowings – current	297	6,343
Borrowings – non-current	80,035	80,467
	<b>80,332</b>	<b>86,810</b>

The borrowings represent a secured loan of £84,057,000 (2009: £87,002,000) from the Group's bankers plus accrued interest of £297,000 (2009: £638,000). The loan is secured by a debenture over all the assets of the Company, including shares in, and assets of, certain subsidiary undertakings. Interest on the loan is charged at floating rates. Capitalised and unamortised loan arrangement fees of £4,022,000 (2009: £830,000) are offset against the principal debt outstanding. The Directors consider the carrying value of the borrowings to approximate to their fair values as they attract a market rate of interest.

The maturity profile of borrowings is set out below:

	31 December 2010 £'000	31 December 2009 £'000
Within one year	297	6,343
In one to two years	—	5,705
In two or five years	80,035	74,762
	<b>80,332</b>	<b>86,810</b>

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

	31 December 2010 £'000	31 December 2009 £'000
Undrawn committed facilities – expiring beyond one year	106,641	16,707

A commitment fee is payable on the undrawn committed facilities at a rate of 50% of the applicable margin.

## 12. Acquisition

On 30 July 2010, the Group acquired 100% of the share capital of Internet Facilitators Limited ('IFL'), a carrier neutral data centre, for cash consideration of £20,526,000. IFL is considered a complementary strategic fit with the Group and offers the opportunity to continue the Group's growth in the north of England. At that date, the fair value of the net assets and liabilities in IFL equalled £7,678,000.

The results of IFL from the start of its financial year, 1 January, to the date of acquisition, along with the post acquisition results are summarised below. These amounts have been calculated before allocation of the Group's central costs, using the Group's accounting policies and by adjusting the results of IFL to reflect the depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2010, together with the consequential tax effects.

	Pre-acquisition £'000	Post-acquisition £'000	Total £'000
Revenue	3,604	2,787	6,391
Cost of sales	(2,200)	(1,461)	(3,661)
<b>Gross profit</b>	<b>1,404</b>	<b>1,326</b>	<b>2,730</b>
Total administrative costs	(372)	(573)	(945)
<b>Operating profit</b>	<b>1,032</b>	<b>753</b>	<b>1,785</b>
Net finance costs	(698)	(97)	(795)
<b>Profit before tax</b>	<b>334</b>	<b>656</b>	<b>990</b>
Taxation	(94)	(183)	(277)
<b>Profit after tax</b>	<b>240</b>	<b>473</b>	<b>713</b>

IFL had no other gains and losses in the year other than those shown above. The loss after tax of IFL in the year ended 31 December 2009 was £109,000.

The assets and liabilities as of 30 July 2010 arising from the acquisition are as follows:

	£'000
Tangible fixed assets	4,638
Customer contracts	5,674
Deferred tax	(1,638)
Debtors	868
Creditors payable within one year	(1,928)
Cash	64
<b>Fair value of net assets acquired</b>	<b>7,678</b>
Goodwill	12,848
<b>Total purchase consideration</b>	<b>20,526</b>

The goodwill is attributable to the operating cash flows of new customer contracts expected to be signed post acquisition and economies of scale expected from combining the operations of the group and IFL. The costs incurred in respect of the acquisition are detailed in note 6.

### 13. Cash flows from operations

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

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Profit on ordinary activities before taxation	45,941	38,120
Add finance costs	5,017	3,788
Less finance income	(11)	(117)
Less other financing items	4,226	(2,689)
Depreciation charge	25,394	23,639
Intangible asset amortisation	1,664	1,174
Loss on disposal of property, plant and equipment	120	53
Share-based payment charges	2,420	1,559
Movement in receivables	(1,204)	5,956
Movement in payables	3,151	322
Movement in deferred income	9,338	2,962
Movement in provisions	(1,127)	(1,184)
Exchange movement	245	434
<b>Net cash inflow from operating activities</b>	<b>95,174</b>	<b>74,017</b>

### 14. Revenue per square metre

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

	Year ended 31 December 2010 New	Year ended 31 December 2009 New	Year ended 31 December 2010 Previous	Year ended 31 December 2009 Previous
Revenue for the year (£'000)	196,397	169,383	196,397	169,383
Relevant occupied space (sq.m)	47,471	43,815	51,116	44,490
Revenue per sq.m. (£/sq.m)	4,137	3,866	3,842	3,807

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