Registered number: 00153088

TELECITYGROUP INTERNATIONAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

TELECITYGROUP INTERNATIONAL LIMITED

DIRECTORS AND ADVISORS

Directors
M Tobin
R Coupland
D Crowther

Company Secretary
A G Hunter

Company number
00153088

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Solicitors
Freshfields Bruckhaus Deringer
65 Fleet Street
London EC4Y 1HS

Hogan Lovells International LLP
Atlantic House
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London
EC1A 2FG

Reed Smith LLP
The Broadgate Tower
20 Primrose Street
London EC2A 2RS

Principal bankers
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1 Churchill Place
London E14 5HP

Registered Office
Masters House
107 Hammersmith Road
London
W14 0QH

TELECITYGROUP INTERNATIONAL LIMITED

STRATEGIC REPORT

The Directors present their report and the audited financial statements of TelecityGroup International Limited ('the Company') for the year ended 31 December 2013.

Principal activity
The principal activity of the Company during the year was the holding of investments in group companies and the provision of services to those companies.

Business review

The market
The Company provides services to group companies under a services agreement. The group companies have experienced good demand for their services which has had a positive effect on the Company.

Strategy
The key element of the Company's strategy is to provide high quality services to fellow group companies.

Results and dividends
The Company's profit for the year is shown on page 7. The Company did not pay an interim dividend during the year (2012: £18,000,000). The Directors do not propose a final dividend in respect of the year (2012: £nil).

Key performance indicators ('KPIs')
The Directors of Telecity Group plc (together with its subsidiaries, 'the Group') manage the Group's operations on a Group basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of TelecityGroup International Limited. The development, performance and position of Telecity Group plc which includes the Company, is discussed in the Group's annual report which does not form part of this report.

DIRECTORS' REPORT

Directors

The Directors of the Company who served during the year and up to the date of signing of the financial statements are set out below:

Michael Tobin
Brian McArthur-Muscroft (resigned 31 January 2014)
Robert Coupland
David Crowther (appointed 17 January 2014)

No Director had any interests in the shares of the Company at either 1 January 2013 or 31 December 2013. The Directors' interest in the share capital of Telecity Group plc, the Company's ultimate parent company, is as follows:

Ordinary shares	**Year ended 31 December 2013 Number**	Year ended 31 December 2012 Number
M Tobin	**672,000**	618,500
B McArthur-Muscroft (resigned 31 January 2014)	—	106,826
R Coupland	**8,038**	5,238

Operational and financial risks

The Directors of the Group manage the Group's operations on a Group basis. For this reason, the Company's Directors believe that an analysis of the operational and financial risk for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of TelecityGroup International Limited. The review of risk faced by Telecity Group plc, which includes the Company, is discussed in the Group's annual report which does not form part of this report.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT (CONTINUED)

Independent auditors
PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

Disclosure of information to auditors
Each Director in office at the date of this report has confirmed that:

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

This confirmation is given in accordance with Section 418(2) of the Act.

On behalf of the Board

David Crowther
Director
2 July 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TELECITYGROUP INTERNATIONAL LIMITED

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by TelecityGroup International Limited, comprise:

- the Balance Sheet as at 31 December 2013;
- the Income Statement for the year then ended;
- the Cash Flow Statement for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the Notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements for the year ended 31 December 2013 (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Darryl Phillips (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
2 July 2014

TELECITYGROUP INTERNATIONAL LIMITED

INCOME STATEMENT

	Note	**Year ended 31 December 2013 £'000**	Year ended 31 December 2012 £'000
Revenue	4	**9,036**	9,451
Other income	12	**25,000**	20,000
Administrative costs	11	**(18,410)**	(17,889)
Operating profit		**15,626**	11,562
Finance income	7	**23**	90
Finance costs	8	**(1,282)**	(553)
Other financing items	9	**(17)**	(57)
Profit on ordinary activities before taxation		**14,350**	11,042
Income tax credit	13	**1,390**	1,895
Profit for the year		**15,740**	12,937

The Company did not have any other recognised income or expenses during the current or previous year and consequently has not presented a statement of recognised income and expense.

TELECITYGROUP INTERNATIONAL LIMITED

STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Retained profits £'000	Total £'000
At 1 January 2012	**2,590**	**46,716**	**72,704**	**122,010**
Profit for the year	—	—	12,937	12,937
Total comprehensive income for the year ended 31 December 2012	—	—	12,937	12,937
Transactions with owners:				
Credit in respect of share-based payments	—	—	1,896	1,896
Tax credit relating to share option scheme	—	—	3,921	3,921
Dividend paid to Company's shareholders	—	—	(18,000)	(18,000)
	—	—	(12,183)	(12,183)
At 31 December 2012 and 1 January 2013	**2,590**	**46,716**	**73,458**	**122,764**
Profit for the year	—	—	15,740	15,740
Total comprehensive income for the year ended 31 December 2013	—	—	15,740	15,740
Transactions with owners:				
Credit in respect of share-based payments	—	—	1,672	1,672
Tax charge relating to share option scheme	—	—	(87)	(87)
	—	—	1,585	1,585
At 31 December 2013	2,590	46,716	90,783	140,089

TELECITYGROUP INTERNATIONAL LIMITED

BALANCE SHEET

	Note	31 December 2013 £'000	31 December 2012 £'000
Assets			
Non-current assets			
Investments	15	**167,747**	126,882
Property, plant and equipment	14	**6,116**	6,884
Deferred income taxes	13	**2,311**	3,792
		176,174	137,558
Current assets			
Trade and other receivables	17	**12,063**	5,575
Corporation tax		**1,459**	3,283
Cash and cash equivalents	18	**1,331**	946
		14,853	9,804
Total assets		**191,027**	147,362
Capital and reserves			
Share capital	20	**2,590**	2,590
Share premium		**46,716**	46,716
Retained profits		**90,783**	73,458
Total equity		**140,089**	122,764
Liabilities			
Current liabilities			
Trade and other payables	19	**50,938**	24,598
Total liabilities		**50,938**	24,598
Total equity and liabilities		**191,027**	147,362

The number under which the Company is registered at Companies House is 00153088.

The financial statements were approved by the Board of Directors and authorised for issue on 2 July 2014 and signed on its behalf by:

David Crowther
Director
2 July 2014

TELECITYGROUP INTERNATIONAL LIMITED

CASH FLOW STATEMENT

	Note	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Cash outflow from operations	21	**(7,107)**	(1,972)
Interest received		**23**	90
Interest paid		**(1,282)**	(553)
Amount received from Group companies in exchange for tax losses surrendered		**4,608**	1,935
Cash outflow from operating activities		**(3,758)**	(500)
Cash flows from investing activities			
Dividends received from subsidiary		**25,000**	20,000
Purchase of investments		**(38,828)**	—
Costs associated with acquisition of subsidiaries		**(2,878)**	
Purchase of property, plant and equipment		**(1,077)**	(3,437)
Net cash (outflow)/inflow from investing activities		**(17,783)**	16,563
Cash flows from financing activities			
Dividends paid		—	(18,000)
Amounts received from fellow Group companies		**21,932**	1,689
Net cash inflow/(outflow) from financing activities		**21,932**	(16,311)
Net increase/(decrease) in cash and cash equivalents		**391**	(248)
Exchange movement		**(6)**	(37)
Cash and cash equivalents at beginning of year		**946**	1,231
Cash and cash equivalents at end of year	18	**1,331**	946

1. General information

TelecityGroup International Limited is a Company incorporated, and domiciled, in the United Kingdom and has Sterling as its presentation and functional currency.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented.

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with EU endorsed International Financial Reporting Standards ('IFRS'), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention and on a going concern basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

In the 2012 Annual Report we explained that the following amendment would be effective for the first time during 2013:

- Amendment to IAS 1 'Financial Statement Presentation', IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IFRS 13 'Fair Value Measurement'

These new standards, and amendment to standard, did not have a material impact on the financial statements of the Company. As such there have been no material changes to the Company's accounting policies since the previous Annual Report.

A number of new standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted. To the extent they are not relevant to the Company, they have been excluded from the following summary:

- IFRS 9, 'Financial instruments'.

The Company is currently assessing the potential impact of the above, but currently anticipate that any changes will be limited to disclosure and presentation.

2.2 Foreign currencies

Transactions in currencies other than the Company's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are disclosed in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

2.3 Non-financial assets

Investments

Investments in subsidiary undertakings are recognised at cost, including relevant acquisition expense, less any impairment.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. The cost of property, plant and equipment comprises their purchase cost, together with the costs of installation and directly attributable external and internal costs, such as staff and property rentals, incurred during the construction or commissioning phase. Additions to property, plant and equipment also include capitalised finance costs. When property, plant and equipment is acquired as part of a business combination, the cost of such assets is deemed to be their fair value at the date of acquisition.

The principal periods over which assets are depreciated are:

Leasehold improvements	7–30 years straight-line
Plant and machinery	5–20 years straight-line
Office equipment	3–7 years straight-line

Depreciation of the above assets is calculated from the date an asset becomes available for use, so as to write off the difference between the cost and the residual value over its expected useful economic life. The expected period of the property leases in which an asset is located is taken into account when determining useful economic life of the asset.

Assets in the course of construction are not depreciated until they are operational. At this time such assets are transferred into the appropriate asset class and depreciated over the expected useful economic lives referred to above. The assets' residual values and useful lives are reviewed on an annual basis and, if appropriate, adjusted on a prospective basis.

The assets' residual values and useful lives are reviewed on an annual basis and, if appropriate, adjusted on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment of non-financial assets

The Company assesses at each reporting date whether an asset may be impaired. If any such indicator exists, the Company tests for impairment by estimating the recoverable amount. If the recoverable amount is less than the carrying value of an asset, an impairment loss is required.

2.4 Financial assets

Financial assets are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are classified as loans and receivables. The classification is determined by management upon initial recognition, and it is based on the purpose for which the financial assets were acquired.

Loans and receivables

Loans and receivables comprise mainly trade and other receivables and cash and cash equivalents.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents includes cash in hand and deposits held on call with banks. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Effective interest rate method
The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables. A specific provision will also be raised for trade receivables when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days' overdue) are considered indicators that the trade receivable is impaired. Increases to the provision are charged to the income statement.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provision account. When a trade receivable is considered uncollectible, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against the provision account. Changes in the carrying amount of the provision account are recognised in the income statement.

Derecognition of financial assets
The Company derecognises a financial asset only when the contractual rights to the cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2.5 Financial liabilities and equity instruments issued by the Company
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Trade payables
Trade payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Other financial liabilities
Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings
Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Finance and operating leases
Leasing agreements which transfer to the Company substantially all the benefits and risks of ownership of an asset are classified as a finance lease and treated as if the asset had been purchased outright. The assets are included in property, plant and equipment and the capital element of the leasing commitments is shown within obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income statement in proportion to the reducing capital element outstanding.

Leases that are not classified as finance leases are treated as operating leases. Costs in respect of operating leases are charged on a straight-line basis over the term of the lease. Benefits received by the Company as an incentive to sign the lease are spread on a straight-line basis over the lease term, or to the first break clause, if sooner.

Effective interest rate method
The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities
The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

2.6 Provisions
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.
Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.7 Reinstatement costs
At the inception of the lease and annually thereafter, the Directors assess the cost of restoring leasehold premises to their original condition at the end of the lease and the likelihood of such costs actually being incurred. If the likelihood of this liability arising is judged to be probable, the discounted cost of the liability is included in leasehold improvements and is depreciated over the duration of the lease. The discount arising on the provision is amortised in future years through interest. If the likelihood of this liability arising is judged to be possible, rather than probable, it is disclosed as a contingent liability. When assessing the

likely duration of the lease and the likelihood of this liability arising, the Directors take into account their contractual and statutory rights to renew or extend the lease terms.

2.8 Revenue
Revenue represents the value of goods and services supplied to customers during the year, excluding value added tax and other sales related taxes. Where invoices are raised in advance for contracted services, the revenue is spread over the period of the service and deferred income is recognised on the balance sheet.

Colocation revenues arise from the leasing of the Group's infrastructure assets and are recognised on a straight-line basis over the period of the contract.

Generally, revenue from services is recognised when the service is provided. When services are required before related colocation services can be provided, revenue from service contracts is bundled with the related colocation revenues and the entire amount recognised over the course of the contracts as the services are provided.

2.9 Share-based payments
Telecity Group plc (together with its subsidiaries, 'The Group') issues equity-settled share-based payments to certain employees under the terms of the long-term incentive plans. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined, using the Black Scholes or Monte Carlo models, at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will ultimately vest.

Non-market vesting conditions, which for the Group mainly relate to the continual employment of the employee during the vesting period, are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Any market vesting conditions are factored into the fair value of the options granted. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period. Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

To the extent that share options are granted to employees of the Group's subsidiaries without charge, the share option charge is capitalised as part of the cost of investment in subsidiaries.

2.10 Pensions
The Company is a member of the defined contribution personal pension operated by Telecity Group plc for all Company employees. Contributions are made in accordance with the scheme rules and are expensed to the income statement as incurred.

2.11 Finance income
Finance income arising from bank deposits is recognised in the income statement on an accruals basis.

2.12 Finance costs
Finance costs of debt are recognised in the income statement over the term of such instruments at a constant rate on the carrying amount.

Finance costs which are directly attributable to the construction of property, plant and equipment are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred, and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

2.13 Exceptional items
Exceptional items are those significant items which are separately disclosed by virtue of their size, nature or incidence to enable a full understanding of the Company's financial performance.

2.14 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. Critical accounting estimates and judgements

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. Although these estimates are made by management based on the best available evidence, due to events or actions, actual results ultimately may differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Carrying value of investments** – the carrying values of investments are also reviewed for impairment where there has been a trigger event by assessing the present value of estimated future cash flows through use compared with net book value. The calculation of estimated future cash flows is based on the Directors' best estimates of future prices, output and costs and is therefore subjective.
- **Deferred taxation** – full provision is made for deferred taxation, as required under IAS 12, 'Income taxes', at the rates of tax prevailing at the period end dates unless different future rates have been substantively enacted. Deferred tax assets are recognised where it is probable that they will be recovered, and as such are subjective.
- **Share-based payments** – the Company issues equity-settled share-based payments to certain employees under the terms of the long-term incentive plans. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value at the grant date is determined using either the Black Scholes or the Monte Carlo models, and is expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will ultimately vest. The value of the expense

is dependent upon certain key assumptions including the expected future volatility rate of the Company's share price at the date of grant.

4. Revenue

The Company's revenues comprise charges to other Group companies in respect of the services that it provides.

5. Directors' emoluments

The Directors' emoluments in total and the emoluments of the highest paid Director were as follows:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Salaries and benefits	**106**	317
Post-employment benefits	**3**	8
	109	325

The highest paid Director earned £109,000 (2012: £325,000). To the extent that emoluments in respect of Directors who are also directors of Telecity Group plc or TelecityGroup UK Limited have been disclosed in the financial statements of Telecity Group plc or TelecityGroup UK Ltd, they have not been included in the above.

6. Employee information

The average monthly number of persons employed by the Company during the year was:

	Year ended 31 December 2013 number	Year ended 31 December 2012 number
By activity		
Operations	**30**	39
Sales and marketing	**6**	6
Administration	**26**	24
	62	69

Staff costs (for the above persons) including redundancy costs

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Wages and salaries	**5,535**	5,408
Social security costs	**63**	1,318
Other pension costs	**124**	125
Share-based payments	**1,672**	1,896
	7,394	8,747

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The share-based payment charge is in respect of share options over the shares of Telecity Group plc that have been granted to the Company's employees. The following share options and performance shares were outstanding at the year end:

			At 31 December 2013			At 31 December 2012		
	Exercise price £	Expiry date	Vested ('000)	Not vested ('000)	Total outstanding ('000)	Vested ('000)	Not vested ('000)	Total outstanding ('000)
October 2007 share options plan	2.20	October 2017	8	—	8	8	—	8
2008 Share option plan	2.12	March 2018	10	—	10	139	—	139
2009 Performance share plan	N/A	February 2019	—	—	—	40	—	40
2009 sharesave scheme	1.44	January 2017	—	—	—	35	—	35
2010 Performance share plan	N/A	March 2020	—	—	—	—	418	418
2011 Performance share plan	N/A	February 2021	—	356	356	—	413	413
2011 sharesave scheme	3.74	October 2015	—	188	188	—	188	188
2011 Directors' bonus shares	N/A	February 2014	—	—	—	69	—	69
2012 Performance share plan	N/A	February 2022	—	280	280	—	321	321
2012 Enhanced performance share plan	N/A	April 2022	—	239	239	—	299	299
2012 sharesave scheme	7.09	May 2016	—	25	25	—	25	25
2012 Directors' bonus shares	N/A	February 2014	—	56	56	—	56	56
2013 long term incentive plan	N/A	February 2023	—	196	196	—	—	—
2013 Directors' bonus shares	N/A	February 2015	—	43	43	—	—	—
2013 sharesave scheme	6.94	April 2017	—	15	15	—	—	—
Total			18	1,398	1,416	479	1,532	2,011

The weighted average exercise price of vested share options is £2.16 (2012: £1.99).

The movement in share options during the year is shown below:

	2013		2012	
	Weighted average exercise price per share £	**Number of share options '000**	Weighted average exercise price per share £	Number of share options '000
At 1 January	**3.15**	**395**	2.17	1,844
Transferred out	**2.12**	**(129)**	—	—
Granted	**6.94**	**15**	2.00	25
Forfeited	—	—	1.44	(23)
Exercised	**1.44**	**(35)**	7.09	(1,451)
At 31 December	**4.16**	**246**	3.15	395

In addition to the above, the movement in nil-cost performance shares from the Performance Share Plan, including Directors' bonus shares, was as follows:

	2013 Number of performance shares '000	2012 Number of performance shares '000
At 1 January	**1,616**	1,749
Transferred out	**(123)**	—
Granted	**282**	694
Forfeited	**(111)**	(23)
Exercised	**(493)**	(804)
At 31 December	**1,171**	1,616

The average share price during the year was £8.58 (2012: £7.97).

Performance shares granted during the current and previous year were valued using the Monte Carlo option-pricing model. Grants during the current year under the Sharesave Scheme were values using the Black Scholes option pricing model. The fair value per option granted and the assumptions used in these calculations are as follows:

Grant date	**November 2013 Sharesave**	**February 2013 Performance shares**	November 2012 Sharesave	April 2012 Enhanced Performance shares	February 2012 Performance shares
Share price (£)	8.54	8.89	8.82	7.45	6.83
Exercise price (£)	6.94	nil	7.09	nil	nil
Expected volatility (%)	27.8	28.5	32.1	31.6	32.6
Expected life (years)	3.0	3.0	3.0	3.0	3.0
Risk free rate (%)	0.97	0.41	0.42	0.59	0.57
Expected dividend yield (%)	1.0	1.0	1.0	1.0	1.0
Fair value per option (£)	2.02	4.22	2.35	5.59	4.03

Market condition features were incorporated into the Monte Carlo models for the total shareholder return elements of the long-term incentive plan, in determining the fair value at grant date. Assumptions used in these models were as follows:

	April 2013 %	April 2012 %	February 2012 %
Average share price volatility FTSE 250 comparator group	**33**	29	27
Average correlation FTSE 250 comparator group	**33**	37	38

The expected Telecity Group plc share price volatility was determined taking into account daily share price movements over a three year period.
The risk free return has been determined from market yield curves of government gilts with outstanding expected terms for each relevant grant. The charge arising from share-based payments is disclosed above.

7. Finance income

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Bank and other interest	**23**	90

8. Finance costs

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Interest payable to other Group companies	**1,269**	552
Other finance costs	**13**	1
	1,282	553

9. Other financing items

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Foreign exchange loss on financing items	**17**	57

10. Auditors' remuneration

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Auditors' remuneration for:		
- the auditing of the Company's financial statements	**5**	5

11. Expenses by nature

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Property costs	**757**	748
Depreciation and amortisation	**2,576**	1,840
Staff expenses	**7,850**	8,851
Other	**7,227**	6,450
	18,410	17,889

12. Other income

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Dividends from subsidiary companies	**25,000**	**20,000**

13. Income tax

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Current tax:		
Current tax on profit for the year	**(485)**	(531)
Credit in respect of group relief received from fellow group companies	**(4,608)**	(1,935)
Adjustments in respect of prior years	**3,283**	—
Total current tax credit	**(1,810)**	(2,466)
Deferred tax:		
Origination and reversal of temporary differences	**(1,284)**	(1,424)
Adjustment in respect or prior years	**1,476**	1,770
Impact of change in UK tax rate	**228**	225
Total deferred tax charge	**420**	571
Income tax credit	**(1,390)**	(1,895)

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company as follows:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Profit before tax	**14,350**	11,042
At statutory rate of tax of UK corporation tax of 23.25% (2012: 24.5%)	**3,336**	2,705
Non-taxable dividend income from subsidiary companies	**(5,813)**	(4,900)
Items not taken into account for tax purposes and other timing differences	**708**	240
Adjustments in respect of prior years	**4,759**	1,770
Credit in respect of group relief surrendered to fellow group companies	**(4,608)**	(1,935)
Re-measurement of deferred tax - impact of change in the UK tax rate	**228**	225
	(1,390)	(1,895)

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the Company's profits for 2013 were taxed at an effective rate of 23.25%. Furthermore as a result of the change in the UK corporation tax rate from 23% to 21% that was substantively enacted on 2 July 2013 and that will be effective from 1 April 2014, the relevant deferred tax balances at 31 December 2013 have been re-measured at 21%. Further reductions to the UK tax rate have been announced. The changes, which are expected to be enacted separately each year, propose to reduce the rate to 20% by 1 April 2015. The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	31 December 2013 £'000	31 December 2012 £'000
Deferred tax assets:		
- Deferred tax assets to be recovered after more than 12 months	**750**	2,269
- Deferred tax assets to be recovered within 12 months	**1,561**	1,523
Deferred tax assets	**2,311**	3,792

The analysis of deferred income tax assets and liabilities, without taking into consideration the offsetting of individual balances, is as follows:

	Tax losses £'000	Accelerated tax depreciation £'000	Share based payment timing difference £'000	Total £'000
At 1 January 2012	**1,694**	**439**	**1,060**	**3,193**
Charged to income statement	(171)	(115)	(285)	(571)
Credited directly to equity	—	—	1,170	1,170
At 31 December 2012	**1,523**	**324**	**1,945**	**3,792**
Credited / (charged) to income statement	38	98	(556)	(420)
Charged directly to equity	—	—	(1,061)	(1,061)
At 31 December 2013	**1,561**	**422**	**328**	**2,311**

Deferred tax assets are recognised for tax losses to the extent that the realisation of the related tax benefit through future taxable profits is probable.

14. Property, plant and equipment

	Leasehold improvements £'000	Office equipment £'000	Total £'000
Cost			
At 1 January 2012	**342**	**8,408**	**8,750**
Additions	996	2,497	3,493
At 31 December 2012	**1,338**	**10,905**	**12,243**
Additions	40	1,768	1,808
At 31 December 2013	**1,378**	**12,673**	**14,051**
Accumulated depreciation			
At 1 January 2012	**150**	**3,369**	**3,519**
Charge for year	81	1,759	1,840
At 31 December 2012	**231**	**5,128**	**5,359**
Charge for year	101	2,475	2,576
At 31 December 2013	**332**	**7,603**	**7,935**
Net book value			
At 31 December 2013	**1,046**	**5,070**	**6,116**
At 31 December 2012	1,107	5,777	6,884
At 1 January 2012	192	5,039	5,231

15. Investments in subsidiaries

Investments in subsidiary undertakings are stated at cost, less provision for impairment.

	Subsidiary undertakings £'000
Cost	
At 1 January 2012	**126,984**
Additions	—
At 31 December 2012	**126,984**
Additions	40,865
At 31 December 2013	**167,849**
Provision for Impairment	
At 1 January 2012	**102**
Additions	—
At 31 December 2012	**102**
Additions	—
At 31 December 2013	**102**
Net book value	
At 31 December 2013	**167,747**
At 31 December 2012	126,882
At 1 January 2012	126,882

Additions comprise the purchase of: 100% of the share capital of Hosting Internet Hizmetleri Sanayi ve Ticaret Anonim Sirketi ('SadeceHosting') on 7 May 2013 for consideration of £25,206,000; 100% of the share capital of 3DC EAD ('3DC') on 10 September 2013 for provisional consideration of £5,566,000; and 100% of the share capital of PLIX Sp.z.o.o ('PLIX') on 2 December 2013 for a provisional consideration of £8,056,000. As part of these transactions the Company incurred associated costs totalling £2,456,000.

The subsidiary undertakings of the Company and their principal activities are set out below.

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of ordinary shares held %	Principal activity
TelecityGroup Holdings Limited*	GB	Ordinary	100	Intermediate holding company
TeleCity UK Limited	GB	Ordinary	100	Intermediate holding company
TelecityGroup Scandinavia AB	Sweden	Ordinary	100	Internet infrastructure
TelecityGroup Ireland Limited	Ireland	Ordinary	100	Internet infrastructure
Data Electronics Group Limited	Ireland	Ordinary	100	Internet infrastructure
Data Electronics Services Limited	Ireland	Ordinary	100	Internet infrastructure
TelecityGroup UK Limited*	GB	Ordinary	100	Internet infrastructure
TelecityGroup France S.A.	France	Ordinary	100	Internet infrastructure
TelecityGroup Italia S.p.A	Italy	Ordinary	100	Internet infrastructure
TelecityGroup Germany GmbH	Germany	Ordinary	100	Internet infrastructure
TelecityGroup Netherlands B.V	Netherlands	Ordinary	100	Internet infrastructure
TelecityGroup Finland Oy	Finland	Ordinary	100	Internet infrastructure
TelecityGroup Bulgaria EAD*	Bulgaria	Ordinary	100	Internet infrastructure
Hosting Internet Hizmetleri Sanayi ve Ticaret Anonim Sirketi*	Turkey	Ordinary	100	Internet infrastructure
TelecityGroup Poland Sp.z.o.o.*	Poland	Ordinary	100	Internet infrastructure
TelecityGroup Spain S.A.	Spain	Ordinary	100	Non-trading

Other than the companies marked with a *, which are owned directly by TelecityGroup International Limited, these companies are owned by intermediate holding companies.

16. Financial instruments

Financial risk management
The Company has exposure to the risks from its use of financial instruments. The financial instrument risks relate mainly to the credit risk in respect of the amounts due from fellow Group companies. All amounts are considered to be recoverable due to the strong financial position of the Group as a whole.

The liquidity risk of the Company is managed as part of the wider liquidity risk management of the Group, of which the Company is a member. The Group manages liquidity risk by maintaining adequate capital reserves and banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Categories of financial instruments
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies. The book value of the Company's financial instruments at the year end is shown below:

	Notes	**31 December 2013 £'000**	31 December 2012 £'000
Financial assets			
Loans and receivables:			
Amounts due from fellow Group companies	17	**10,925**	4,570
Other receivables	17	**151**	100
VAT recoverable	17	**669**	439
Cash and cash equivalents	18	**1,331**	946
Total financial assets		**13,456**	6,055
Financial liabilities			
Amortised cost			
Trade creditors	19	**1,542**	753
Other creditors and accruals	19	**4,207**	5,054
Amounts due to fellow Group companies	19	**44,937**	16,639
Total financial liabilities		**50,686**	22,446

17. Trade and other receivables

	31 December 2013 £'000	31 December 2012 £'000
Current		
Amounts due from fellow Group companies	**10,925**	4,570
Other receivables	**151**	100
VAT recoverable	**669**	439
Prepayments	**318**	466
	12,063	5,575

The Directors consider the carrying values of these assets to approximate to their fair values due to their short maturity period. £465,000 (2012: £723,000) of the trade and other receivables are denominated in Euros, £nil (2012: £45,000) in Swedish Krona and the balance being in Sterling.

18. Cash and cash equivalents

	31 December 2013 £'000	31 December 2012 £'000
Cash at bank and on hand	1,331	946

19. Trade and other payables

	31 December 2013 £'000	31 December 2012 £'000
Current		
Trade creditors	1,542	753
Amounts due to fellow Group companies	44,937	16,639
Taxation and social security	252	2,152
Accruals	4,207	5,054
	50,938	24,598

The Directors consider the carrying values of these liabilities to approximate to their fair values due to their short maturity period. £23,000 (2012: £93,000) of the trade and other payables are denominated in Euros, £nil (2012: £18,000) are denominated in US Dollars, with the balance being in Sterling.

20. Share capital

	31 December 2013 £'000	31 December 2012 £'000
Allotted		
258,956,765 Ordinary (2012: 258,956,765) shares of £0.01 each	2,590	2,590

21. Cash flow from operations

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

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Profit on ordinary activities before taxation	14,350	11,042
Add finance costs	1,282	553
Less finance income	(23)	(90)
Add other financing items	17	57
Add expensed costs associated with acquisition of subsidiaries	841	—
Less dividends received	(25,000)	(20,000)
Depreciation charge	2,576	1,840
Share-based payments	1,672	1,896
Movement in receivables	481	(275)
Movement in payables	(3,303)	3,005
Net cash outflow from operations	(7,107)	(1,972)

22. Dividends

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
	£'000	£'000
Equity - ordinary		
Interim paid: £nil (2012: 6.95p) per share	—	18,000
	—	18,000

The Company did not pay a dividend during the year (2012: £18,000,000) to its immediate parent company, TelecityGroup Investments Limited.

23. Financial commitments

The Company had minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	31 December 2013 £'000	31 December 2012 £'000
Within one year	410	342
Between two and five years	1,641	1,641
In more than five years	1,196	1,607
	3,247	3,590

24. Related party transactions

During the year the Company charged other Group companies for the provision of services. Such charges totalled £9,036,000 (2012: £9,451,000).

During the year the Company was charged by other Group companies interest on intercompany loans of £1,269,000 (2012: £552,000).

During the year the Company received a dividend totalling £25,000,000 (2012: £20,000,000) from its subsidiary company, TelecityGroup UK Limited. It received a dividend totalling £nil (2012: £nil) from its subsidiary company, TelecityGroup Holdings Limited.

Key management as defined by IAS 24 are considered to comprise the Directors of the Company. The remuneration of the Directors is disclosed in note 5.

25. Immediate and ultimate parent undertaking

At 31 December 2013 the Company's immediate parent undertaking was TelecityGroup Investments Limited and the ultimate parent company was Telecity Group plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the Group financial statements may be obtained from the Company Secretary, Telecity Group plc, Masters House, 107 Hammersmith Road, London, W14 0QH. The largest and smallest group in which the results of the Company are consolidated is that headed by Telecity Group plc.