

IX Europe plc
(previously IX Holdings Limited)

Directors' report and consolidated
financial statements for the year ended
31 December 2000

Registered number 3796971



IX Europe plc

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Directors' report

Financial Statements

The directors have pleasure in submitting their annual report together with the audited consolidated financial statements of the company and its subsidiary undertakings for the year ended 31 December 2000.

Principal activities

The Company is a rapidly growing Internet infrastructure company that designs and operates carrier-neutral Internet exchange Data Centres throughout Europe. The Company's principal business is to provide colocation and related services to our customers. Colocation is the physical location of telecommunications and information technology ("IT") equipment in a network or independently-owned secure facility. Through carrier-neutral Data Centres the Company provides a secure environment and the services necessary to meet the infrastructure and connectivity needs of Internet companies and the Internet-based operations of other businesses.

Change of Company name and re-registration as a public limited company

On 23 August 2000, the Company name was changed from IX Holdings Limited to IX Europe Limited. On 13 October 2000, the Company re-registered as a public limited company.

Business review

The results for the year and the state of affairs of the Group are shown in the financial statements and notes on pages 6 to 27. The Group loss for the year after taxation amounted to £9,620,697 (1999: £803,602 loss).

Future developments

The Company intends to continue with the acquisition, design, fit out and operation of data centres through out western Europe. Whilst this will initially be focused on the data centres that are currently under lease or owned it is likely that a number of new data centres will be added dependent upon customer demand and availability of funding.

Dividends

The Directors do not recommend the payment of a dividend (1999: £nil) in respect of the ordinary share capital of the Company. In accordance with the terms of the 10% preference shares dividends are payable twice yearly however, until 30 September 2001 all dividends payable only become payable to the preference shareholders on the date the respective preference share is redeemed.

Euro

On 1 January 1999, eleven of the European Union member states, including five countries in which we operate, established fixed conversion rates between their existing currencies and adopted one common currency, the Euro. From 1 January 1999, the Euro is traded on currency exchanges and is available for non-cash transactions during a three-year transitional period to 1 January 2002. On 1 January 2002, the European Central Bank will issue Euro-denominated bills and coins for use in cash transactions. On or before 1 July 2002, the participating countries will withdraw all bills and coins and use the Euro as their legal currency.

Our operating units affected by the Euro have established plans to address the issues raised by the conversion. These issues, amongst others, include such matters as pricing, accounting and financial reporting, taxation, treasury activities and computer systems. We anticipate that our operating units will convert their local records to the Euro by 1 January 2002.

Although we have not identified any immediate problems, we cannot be certain that the harmonisation of currencies in Europe will not have a material adverse impact on the operating results, financial position or liquidity of our businesses.

IX Europe plc

Directors and directors' interests

The directors who held office during the year were as follows:

Sir Anthony Cleaver (Chairman) *

Richard Mead *

Alan Tawil-Kummerman *

Robert Mason *

Erick Rinner *

Lloyd Perry * Appointed 5 September 2000, Resigned 12 October 2000, Re-appointed 21 November 2000

Francisco Churtichaga * Appointed 5 September 2000

Guy Willner

Christophe de Buchet

Richard Rowson Appointed 8 August 2000

* Non-executive directors

Directors' Interests

The beneficial interest of the Directors in the share capital of the Company at the beginning and the end of the year, together with particulars of their holdings were:

	Company	Class of share	Interest at 31 December 2000	Interest at 1 January 2000
Southshire Ltd (Guy Willner)	IX Europe plc	"A" Ordinary	46,600	12,116
Nightshade Ltd (Christophe de Buchet)	IX Europe plc	"A" Ordinary	25,344	6,524
Sir Anthony Cleaver	IX Europe plc	"A" Ordinary	4,000	4,000
	IX Europe plc	Preferred ordinary	2,248	-
Alan Tawil-Kummerman	IX Europe plc	"A" Ordinary	4,000	4,000
	IX Europe plc	Preferred ordinary	2,248	-
Richard Mead	IX Europe plc	"A" Ordinary	4,000	4,000
	IX Europe plc	Preferred ordinary	625	-

Guy Willner and Christophe de Buchet who are Directors of the Company, are potential beneficiaries in discretionary trusts. These trusts own the investment companies, Southshire Ltd and Nightshade Ltd, which are ordinary shareholders of the Company.

Robert Mason is a director of EAC Fund II GP Limited, the general partner of EAC Limited Partnership II and European Acquisition Capital Limited which are both shareholders in the Company. Erick Rinner is a partner at European Acquisition Capital limited.

None of the other directors who held office at the end of the financial period had any disclosable interest in the shares of the Group companies.

IX Europe plc

According to the register of directors' interests, no rights to subscribe for shares in, or debentures of, Group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial period except as indicated below:

			Number of options during the year			Exercise price	
			At start of year	Granted	Exer- Cised	At end of year	£
Richard Rowson	“C” Ordinary	-	3,006	-	3,006	2.15	
	“D” Ordinary	-	1,644	-	1,644	80.0	

The shares vest over a three year period following their grant. They are exercisable upon the occurrence of an exercise event.

Political and charitable contributions

The group made no political or charitable contributions during the year (1999: £nil)

Post balance sheet events

On 12 April 2001 the Company issued 12,200,000 priority preference shares of £0.01 for cash (excluding expenses) of £12,200,000 and 428,071 "F" ordinary shares of £0.01 for cash (excluding expenses) of £4,281.

In conjunction with these issues the Company issued 306,678 preferred ordinary shares of £0.01 for which no consideration was received.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board



Richard Rowson
Secretary

London
29 May 2001

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards 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 group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



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United Kingdom

Report of the auditors to the members of IX Europe plc (previously IX Holdings Limited)

We have audited the financial statements on pages 6 to 27.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2000 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditors

13 June 2001

IX Europe plc

Consolidated profit and loss account *for the year ended 31 December 2000*

	Note	2000 £	Restated 1999 £
Group Turnover	1		
Continuing operations		1,108,795	55,458
Acquisitions		534,852	-
		<hr/>	<hr/>
		1,643,647	55,458
Cost of sales	2	(2,527,896)	(176,380)
		<hr/>	<hr/>
Gross loss		(884,249)	(120,922)
Administrative expenses	2	(5,292,492)	(689,536)
Exceptional administrative expenses	6	(3,811,698)	-
		<hr/>	<hr/>
Operating loss	4		
Continuing operations		(5,001,876)	(810,458)
Acquisitions		(1,174,865)	-
Exceptional administrative expenses – continuing	6	(3,811,698)	-
		<hr/>	<hr/>
		(9,988,439)	(810,458)
Net interest received	5	367,742	6,856
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(9,620,697)	(803,602)
Tax on loss on ordinary activities	9	-	-
		<hr/>	<hr/>
Loss for the financial year		(9,620,697)	(803,602)
Undeclared non-equity preference dividends	10	(626,795)	-
		<hr/>	<hr/>
Retained loss for the year	21	(10,247,492)	(803,602)
		<hr/>	<hr/>

There is no difference between the loss reported above and the historical cost losses.

There are no recognised gains or losses other than the loss for the period as reported above.

IX Europe plc

Consolidated balance sheet at 31 December 2000

	Note	2000 £	2000 £	1999 £	1999 £
Fixed assets					
Intangible assets	11	10,142,000		-	
Tangible assets	12	17,890,868		905,218	
			<u>28,032,868</u>		<u>905,218</u>
Current assets					
Stocks	14	-		14,460	
Debtors	15	2,617,243		482,678	
Cash at bank and in hand		17,522,154		2,212,913	
		<u>20,139,397</u>		<u>2,710,051</u>	
Creditors: amounts falling due within one year	17	<u>(9,685,981)</u>		<u>(419,899)</u>	
Net current assets			<u>10,453,416</u>		<u>2,290,152</u>
Debtors due after more than one year	16		<u>2,400,972</u>		<u>-</u>
Total assets less current liabilities			<u>40,887,256</u>		<u>3,195,370</u>
Creditors: amounts falling due after more than one year	18		<u>(1,824,414)</u>		<u>-</u>
Net assets			<u>39,062,842</u>		<u>3,195,370</u>
Capital and reserves					
Called up share capital	20		8,083,716		2,009,306
Share premium account	21		41,403,425		1,989,666
Profit and loss account	21		(10,424,299)		(803,602)
			<u>39,062,842</u>		<u>3,195,370</u>
Shareholders' funds					
Equity			30,367,377		1,195,370
Non-equity			8,695,465		2,000,000
			<u>39,062,842</u>		<u>3,195,370</u>

These financial statements were approved by the board of directors on 29 May 2001 and were signed on its behalf by:

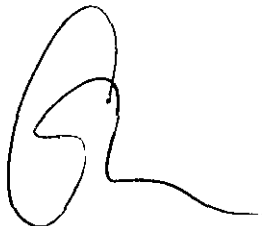

Guy Willner
Director

IX Europe plc

Company Balance sheet *at 31 December 2000*

	<i>Note</i>	2000 £	2000 £	1999 £	1999 £
Fixed assets					
Investments	13	10,426,410		1,941,888	
			10,426,410		1,941,888
Current assets					
Debtors	15	1,175,653		54,969	
Cash at bank and in hand		13,910,738		2,008,121	
		15,086,391		2,063,090	
Creditors: amounts falling due within one year	17	(2,148,183)		(24,331)	
Net current assets			12,938,208		2,038,759
Debtors due after more than one year	16		23,279,324		-
Net assets			46,643,942		3,980,647
Capital and reserves					
Called up share capital	20		8,083,716		2,009,306
Share premium account	21		41,403,425		1,989,666
Profit and loss account	21		(2,843,199)		(18,325)
			46,643,942		3,980,647
Shareholders' funds					
Equity			37,948,477		1,980,647
Non-equity			8,695,465		2,000,000
			46,643,942		3,980,647

These financial statements were approved by the board of directors on 29 May 2001 and were signed on its behalf by:



Guy Willner
Director

IX Europe plc

Consolidated cash flow statement *for the year ended 31 December 2000*

	<i>Notes</i>	2000 £	1999 £
Net cash outflow from operating activities	24	(7,012,615)	(844,925)
Returns on investment and servicing of finance			
Interest received		425,477	6,953
Interest paid		(57,735)	(97)
		<hr/>	<hr/>
		367,742	6,856
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(14,297,655)	(922,419)
Purchase of other assets		-	(28,601)
		<hr/>	<hr/>
		(14,297,655)	(951,020)
Acquisitions and disposals			
Purchase of subsidiary undertaking	13	(849,522)	-
		<hr/>	<hr/>
Cash outflow before financing		(21,792,050)	(1,789,089)
Financing			
Issue of share capital		34,894,997	3,997,084
		<hr/>	<hr/>
		13,102,947	2,207,995
		<hr/>	<hr/>

Reconciliation of net cash flow to movement in net cash

	2000 £	1999 £
Increase in cash in the period		
Cash outflow from decrease in liquid resources	13,102,947	2,207,995
Cash acquired with subsidiary undertaking	2,211,212	-
	<hr/>	<hr/>
Movement in net cash in the period	15,314,159	2,207,995
Net cash at beginning of period	2,207,995	-
	<hr/>	<hr/>
Net cash at end of period	17,522,154	2,207,995
	<hr/>	<hr/>

Reconciliations of movements in shareholders' funds

	Group 2000 £	1999 £	Company 2000 £	1999 £
Loss for the financial year	(9,620,697)	(803,602)	(2,824,874)	(18,325)
Undeclared non – equity preference dividends	(626,795)	-	(626,795)	-
Add back accrued preference dividends	626,795	-	626,795	-
New share capital subscribed (net of issue costs)	45,488,169	3,998,972	45,488,169	3,998,972
Net addition to reduction in shareholders' funds	35,867,472	3,195,370	42,663,295	3,980,647
Opening shareholders' funds	3,195,370	-	3,980,647	-
Closing shareholders' funds	39,062,842	3,195,370	46,643,942	3,980,647

IX Europe plc

Notes to the Financial Statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2000. The acquisition method of accounting has been adopted. Under this method the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

Foreign currencies

The results of operations and cash flows of overseas subsidiaries are translated into sterling at the average of the month end rates of exchange for the period. Assets and liabilities in foreign currencies are translated into sterling at closing rates of exchange except where rates are fixed under contractual arrangements.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	—	10 years straight line
Fixtures, fittings and furniture	—	3 years straight line
Short leasehold improvements	—	Over the period of the lease

Leases

Operating lease rentals relating to colocation facilities are charged to cost of sales in the profit and loss account on a straight line basis over the period of the lease.

Benefits received as an incentive to sign operating leases for colocation facilities are charged to the profit and loss account on a straight line basis over the lease term or, if shorter, over the period to the first review date on which the rent is expected to be adjusted to the prevailing market rate.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

Taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

IX Europe plc

Notes to the Financial Statements

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised in accordance with the requirements of *FRS 10: Goodwill and Intangible Assets*, and is amortised over its estimated useful life, as determined by the directors, although this may be up to 20 years the directors generally consider the useful economic life of purchase goodwill to be 10 years.

Turnover

Turnover represents the amounts (excluding value-added tax) derived from the provision of colocation and related services to third party customers during the period. Where invoices are raised in advance for contracted revenue, the revenue is deferred and spread over the period to which it relates. All other revenue, including installation revenue, is recognised in the profit and loss account when the service has been provided.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

Liquid resources comprise term deposits of less than one year (other than cash).

2 Reclassification of operating costs relating to the period ending 31 December 1999

A number of operating costs relating to items such as rent and technicians' salaries have been reclassified from administrative expenses to cost of sales as in the opinion of the directors this better reflects the nature of these operating costs.

IX Europe plc

Notes to the Financial Statements

3 Segmental information

As at 31 December 2000, IX Europe plc operates data centres in 4 European Countries (United Kingdom, France, Germany and Switzerland) and has leases for additional data centres in another 3 European countries (Netherlands, Italy and Spain).

IX Europe Plc has one class of business the provision of co-location and related services to third party customers.

The analysis by geographical area of the groups turnover, loss before taxation and net assets is set out below:

Turnover

	2000 £	1999 £
United Kingdom	1,099,585	55,458
Rest of Europe	544,062	-
	<hr/>	<hr/>
	1,643,647	55,458
	<hr/>	<hr/>

There is no difference between turnover by origin and by destination.

Loss on ordinary activities before taxation

	2000 £	1999 £
United Kingdom	(8,394,903)	(803,602)
Rest of Europe	(1,225,794)	-
	<hr/>	<hr/>
Loss on ordinary activities before taxation	(9,620,697)	(803,602)
	<hr/>	<hr/>

Net assets

	2000 £	1999 £
United Kingdom	21,836,692	3,195,370
Rest of Europe	17,226,150	-
	<hr/>	<hr/>
	39,062,842	3,195,370
	<hr/>	<hr/>

IX Europe plc

Notes to the Financial Statements

4 Operating loss

	2000 £	1999 £
Operating loss is stated after charging:		
Auditors' remuneration:		
Group - Audit	58,000	5,000
- Fees paid to the auditors and its associates in respect of other services	1,284,000	91,061
Company - Audit	-	1,500
Depreciation of tangible fixed assets	295,591	17,201
Amortisation of goodwill	358,000	-
Exchange gain	(291,316)	-
Operating lease rentals	863,738	100,214

5 Net interest (payable) / receivable

	2000 £	1999 £
Bank interest receivable	425,477	6,953
Interest payable - on bank loans and overdraft	(4,270)	(97)
- on all other loans	(53,465)	-
	<u>367,742</u>	<u>6,856</u>

6 Exceptional item

	2000 £	1999 £
Exceptional administrative expenses		
Costs relating to the aborted flotation	3,811,698	-

The exceptional administration expenses relate to the advisory and other fees associated with aborted flotation during the year. The exceptional item has not had any material impact on the tax charge for the year.

IX Europe plc

Notes to the Financial Statements

7 Staff costs (including directors)

	2000 £	1999 £
Wages, salaries and fees	2,359,884	210,237
Social security costs	287,106	19,022
	<u>2,646,990</u>	<u>229,259</u>

There has been no pension scheme in place for directors or employees from incorporation to 31 December 2000. Consequently no pension contributions have been paid on behalf of any directors or employees.

	Number of employees	
	2000	1999
The average monthly number of employees of the Group (including directors) during the period was		
Administration	63	8
Sales and marketing	9	3
Site management	8	1
	<u>80</u>	<u>12</u>

8 Remuneration of directors

	2000 £	1999 £
Aggregate emoluments	579,284	130,000
Highest paid director	226,573	50,000

Details of Directors' share options is provided in the Directors report.

9 Taxation

Subject to agreement with the Inland Revenue the Group has tax losses of approximately £4,600,000 available to relieve Group trading profits as at 31 December 2000 (1999: £700,000).

10 Dividends and other appropriations

	2000 £	1999 £
Undeclared preference dividends	626,795	-

IX Europe plc

Notes to the Financial Statements

Under the terms of the 10% preference shares dividends are payable in two equal instalments, on 1 April and 1 October each year beginning 1 April 2002. However, until 30 September 2001 all dividends payable only become payable to the preference shareholders on the date the respective preference share is redeemed.

11 Intangible fixed assets

Group	Goodwill
<i>Cost</i>	
At beginning of year	-
Additions	10,500,000
Disposals	-
	<hr/>
At end of year	10,500,000
	<hr/>
<i>Amortisation</i>	
At beginning of year	-
Charged in year	358,000
	<hr/>
At end of year	358,000
	<hr/>
<i>Net book value</i>	
At 1 January 2000	-
	<hr/>
At 31 December 2000	10,142,000
	<hr/>

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. Purchased goodwill arising during the year is amortised to nil in equal instalments over the directors estimate of its useful economic life which is considered to be 10 years.

IX Europe plc

Notes to the Financial Statements

12 Tangible fixed assets

	Short Leasehold improvements	Assets in the course of construction	Plant and Machinery	Fixtures, fittings, tools and equipment	Total
	£	£	£	£	£
Group					
<i>Cost</i>					
At beginning of year	-	-	823,206	99,213	922,419
In respect of new subsidiaries	-	625,366	1,042,483	452,792	2,120,641
Additions	956,257	1,538,195	11,521,260	1,144,888	15,160,600
Disposals	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	956,257	2,163,561	13,386,949	1,696,893	18,203,660
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At beginning of year	-	-	13,349	3,852	17,201
Charge for year	4,303	-	145,488	145,800	295,591
On disposals	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	4,303	-	158,837	149,652	312,792
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 1 January 2000	-	-	809,857	95,361	905,218
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	951,954	2,163,561	13,228,112	1,547,241	17,890,868
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Included in the cost of tangible fixed assets is £ nil (1999: £nil) in respect of capitalised finance costs.

13 Investments

Analysis of movements in investments in subsidiaries during the year	£
Company	
At 1 January 2000	1,941,888
Transfer to inter company debtors	(1,890,000)
Additions	10,374,522
	<hr/>
At 31 December 2000	10,426,410
	<hr/>

All investments are involved in the design and operation of carrier-neutral Internet exchange Data Centres throughout Europe.

IX Europe plc

Notes to the Financial Statements

The Company's interest in Interconnect Exchange Europe Limited, Interconnect Exchange Europe SAS and IntelliSite BV were transferred via a share for share exchange to IX Investments Limited, an indirect subsidiary of IX Europe plc in October 2000.

The undertakings in which the Company's interest at 31 December 2000 is more than 20% either directly or indirectly are as follows:

	Country of Incorporation	Principal activity	Class of share held	Percentage held
Subsidiary undertaking				
Interconnect Exchange Europe Limited	England	Colocation	Ordinary shares	100%
Interconnect Exchange Europe SAS	France	Colocation	Ordinary shares	100%
Telehouse Facilities AG	Switzerland	Colocation	Bearer shares	100%
IX Europe GmbH (formerly Telebridge GmbH)	Germany	Colocation	Ordinary shares	100%
Interconnect Exchange Europe GmbH	Germany	Colocation	Ordinary shares	100%
IntelliSite BV	Netherlands	Holding company	Cumulative preferred shares and Ordinary shares	100%
IX Services Limited	England	Management company	Ordinary share	100%
IX Corporation Limited	England	Holding company	Ordinary shares	100%
IX Investments Limited	England	Holding company	Ordinary shares	100%
Interconnect Exchange ApS	Denmark	Dormant	Ordinary shares	100%
Interconnect Exchange Europe AB	Sweden	Dormant	Ordinary shares	100%

With the exception of IX Corporation Limited all subsidiaries are owned indirectly.

IX Europe plc

Notes to the Financial Statements

Acquisition of IntelliSite BV

On 7 September 2000 the Company acquired 100% of IntelliSite BV and its subsidiary undertakings Telebridge GmbH and Telehouse Facilities AG for a fair value total consideration (including fees and costs associated with the acquisition of approximately £349,522) of £10,849,522.

The fair value of the operating assets at the date of acquisition was:

	Book value £	Revaluation £	Fair value £
Tangible fixed assets	2,120,641	-	2,120,641
Current assets / liabilities			
Cash	2,211,212	-	2,211,212
Debtors	1,128,248	-	1,128,248
Creditors	(3,850,499)	(1,260,080)	(5,110,579)
	<hr/>	<hr/>	<hr/>
Provisional fair value of net assets acquired	1,609,602	(1,260,080)	349,522
Purchase consideration and cost of acquisition			
Cash consideration			849,522
Issue of preferred ordinary shares			10,000,000
			<hr/>
			10,849,522
			<hr/>
Provisional goodwill arising on acquisition			10,500,000
			<hr/> <hr/>

The fair value adjustments primarily relate to additional provisions which were required.

The summarised profit and loss account for Telebridge GmbH and Telehouse Facilities AG for the period from 1 January 2000, the beginning of each subsidiaries' financial year, to the date of the acquisition is as follows:

Telebridge GmbH	Period ended 31 August 2000 £
Turnover	401,951
Operating loss	(496,585)
Loss on ordinary activities before taxation	(600,384)
Taxation	-
Loss on ordinary activities before taxation	(600,384)
Telehouse Facilities AG	Period ended 31 August 2000 £
Turnover	362,481
Operating loss	(147,607)
Loss on ordinary activities before taxation	(151,363)
Taxation	-
Loss on ordinary activities before taxation	(151,363)

The loss for IntelliSite BV for the period from incorporation on 18 May 2000 to 31 August 2000 was £1,077,717.

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Notes to the Financial Statements

The purchase has been accounted for as an acquisition and is included in the consolidated balance sheet at the year end. The purchased goodwill will be amortised evenly over 10 years reflecting the directors' opinion of its useful economic life. For the period since acquisition revenue of £534,852 and operating losses of £1,174,865 are included are included within the consolidated profit and loss account for intelisite and its subsidiaries.

In the previous financial year (to 31 December 1999) the loss for Telebridge GmbH was £451,147 and for the loss for Telehouse Facilities AG was £19,068.

14 Stocks

	Group		Company	
	2000	1999	1999	1999
	£	£	£	£
Raw materials and consumables	-	14,460	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

15 Debtors due within one year

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Trade debtors	719,553	7,931	-	-
Amounts owed by group undertakings	-	-	150,478	54,969
Other debtors	1,592,679	457,298	307,523	-
Prepayments and accrued income	305,011	17,449	717,652	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	2,617,243	482,678	1,175,653	54,969
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

16 Debtors due after more than one year

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Amounts owed by group undertakings	-	-	23,279,324	-
Other debtors	2,371,805	-	-	-
Prepayments and accrued income	29,167	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	2,400,972	-	23,279,324	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Other debtors comprise long-term rent deposits for lease colocation facilities

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17 Creditors: amounts falling due within one year

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Subordinated loan and overdrafts	1,000,000	4,918	-	-
Trade creditors	2,908,355	264,496	-	22,331
Taxation and social security	258,266	18,984	-	-
Other creditors	1,258,112	-	-	-
Accruals and deferred income	4,261,248	131,501	2,148,183	2,000
	<u>9,685,981</u>	<u>419,899</u>	<u>2,148,183</u>	<u>24,331</u>

The subordinated loan is provided to IX Europe GmbH (formerly Telebridge GmbH) a wholly owned indirect subsidiary of the Company. The subordinated loan is provided under the terms of a silent participation agreement as defined by the German Commercial Code. The loan is repayable in annual instalments of £500,000 with the first payment being made on 2 January 2001. The loan is repayable in full on or before 30 December 2003. Interest is payable on the loan at 6.2% per annum and commission at 1.85% per annum. The lender is also entitled to receive a share of the profit of IXEurope GmbH whilst the loan is outstanding. No share of profit is payable in relation to the period ended 31 December 2000.

18 Creditors: amounts falling due after more than one year

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Subordinated loan (see note 17)	541,194	-	-	-
Other creditors	797,183	-	-	-
Accruals and deferred income	486,037	-	-	-
	<u>1,824,414</u>	<u>-</u>	<u>-</u>	<u>-</u>

Maturity of borrowings:

	Subordinated loan
	£
Debt can be analysed as falling due:	
In one year or less	1,000,000
Between one and two years	500,000
Between two and five years	41,194
	<u>1,541,194</u>

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Notes to the Financial Statements

19 Deferred tax asset

Group	2000		1999	
	Provided £	Unprovided £	Provided £	Unprovided £
Accelerated capital allowances	-	109,129	-	(434,370)
Losses carried forward	-	1,375,478	-	752,857
	<hr/>	<hr/>	<hr/>	<hr/>
	-	1,484,607	-	318,487
	<hr/>	<hr/>	<hr/>	<hr/>

There is no deferred tax asset or liability in the company.

20 Called up share capital

	2000 £	1999 £
Authorised		
Equity: Ordinary shares of £0.01 each		
83,944 Ordinary shares: class A (1999: 100,000)	839	1,000
900,000 Ordinary shares: class B	9,000	9,000
16,056 Ordinary shares: class C	161	161
15,597 Ordinary shares: class D	156	-
520,746 Preferred Ordinary shares	5,207	-
	<hr/>	<hr/>
Non equity: 8,068,670 10 % Preference shares of £1.00 each	8,068,670	8,068,670
	<hr/>	<hr/>
	8,084,033	8,078,831
	<hr/>	<hr/>
Allotted, called up and fully paid		
Equity: Ordinary shares of £0.01 each		
83,944 Ordinary shares: class A	839	306
900,000 Ordinary shares: class B	9,000	9,000
520,746 Preferred Ordinary shares	5,207	-
	<hr/>	<hr/>
Non equity: 8,068,670 10 % Preference shares of £1.00 each (1999: 2,000,000)	8,068,670	2,000,000
	<hr/>	<hr/>
	8,083,716	2,009,306
	<hr/>	<hr/>

The Preference shares entitle the holders to receive notice of all general meetings, but do not entitle the holders to attend or vote at any general meeting. In the event of a liquidation of the Company the rights of the holders of the preference shares are preferential to the rights of all other shareholders.

The preference shareholders do not have any rights to share in the profits and losses of the group.

All classes of ordinary shares entitle the holders to attend and vote at any general meeting of the Company. All classes of ordinary shares (including preferred ordinary shares) rank *pari passu* when determining any distributions. A distribution to ordinary shareholders can only be made following the redemption of the preference shares including all unpaid amounts of preference dividend and interest thereon.

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Notes to the Financial Statements

In the event of a liquidation of the company the holders of ordinary shares are entitled to receive an amount equal to the issue price of the shares in the following order of priority once all outstanding amounts on the preference shares have been redeemed. Firstly, the preferred ordinary shares, secondly the ordinary shares class B and thirdly, the following classes of ordinary shares rank parri pasu, the ordinary shares class A, ordinary shares class C, and ordinary shares class D. Any remaining assets on liquidation will then be distributed equally among all classes of ordinary shareholders (including preferred ordinary shareholders).

On the following dates the following shares were issued for cash in accordance with the Investment Agreement, dated 14 July 1999, to provide working capital for the Group:

30,640	Ordinary shares Class A	£0.01 each	Issued 22 July 1999
233,000	Ordinary shares Class B	£0.01 each	Issued 22 July 1999
279,600	Ordinary shares Class B	£0.01 each	Issued 11 August 1999
279,600	Ordinary shares Class B	£0.01 each	Issued 14 October 1999
107,800	Ordinary shares Class B	£0.01 each	Issued 15 December 1999
2,000,000	Preference shares	£1.00 each	Issued 24 December 1999
3,000,000	Preference shares	£1.00 each	Issued 6 March 2000
3,068,670	Preference shares	£1.00 each	Issued 30 June 2000
53,304	Ordinary shares Class A	£0.01 each	Issued 5 September 2000

On the 7 September 2000, the following shares were issued for cash in accordance with the Investment Agreement, dated 7 September 2000, to provide working capital for the Group:

395,746	Preferred ordinary shares	£0.01 each
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On the 7 September 2000, the following shares were issued as consideration for the acquisition of Intelisite BV:

125,000	Preferred ordinary shares	£0.01 each
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All the Ordinary shares (£0.01 each) and Preferred ordinary shares (£0.01 each) were issued at a premium, the total premium resulting from the issue of Ordinary and Preferred ordinary shares amounted to £43,757,992.

Share option schemes

On 23 February 2000 the Company adopted an unapproved share option scheme in respect of 16,056 "C" ordinary shares in the company. On 27 September 2000 the Company adopted a second unapproved share option scheme in respect of 15,597 "D" ordinary shares in the company.

Under the terms of both schemes all employees and directors of the group nominated by the Audit Committee are eligible to participate. The options entitle the recipient to acquire Ordinary Shares in the Company at a price determined at the time that the options were granted by the Remuneration Committee.

An option granted under either scheme is not transferable and may only be exercised (to the extent that the right to exercise has vested) on the occurrence of an exercise event. The right to exercise is in respect of 20% of the shares subject to the option, on every 6 month anniversary following the date of grant. Therefore, the whole of an option vests on the 30 month anniversary of the date of grant.

23 February 2000 unapproved share option scheme

16,056 options were granted during the year and are exercisable as follows:

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Notes to the Financial Statements

Date granted	Number	Exercise price £
23 February 2000	8,850	2.15
26 April 2000	1,200	2.15
24 May 2000	2,800	2.15
27 June 2000	1,700	2.15
5 September 2000	1,506	2.15

27 September 2000 unapproved share option scheme

13,634 options were granted during the year and are exercisable as follows:

Date granted	Number	Exercise price £
27 September 2000	13,634	80.0

21 Share premium and reserves

	Group	
	Share premium account £	Profit and loss account £
At beginning of year	1,989,666	(803,602)
Retained loss for the year	-	(10,247,492)
Premium on share issues, less expenses	39,413,759	-
Add back accrued preference dividends	-	626,795
	<hr/>	<hr/>
At end of year	41,403,425	(10,424,299)
	<hr/>	<hr/>

	Company	
	Share premium account £	Profit and loss account £
At beginning of year	1,989,666	(18,325)
Retained loss for the year	-	(3,451,669)
Premium on share issues, less expenses	39,413,759	-
Add back accrued preference dividends	-	626,795
	<hr/>	<hr/>
At end of year	41,403,425	(2,843,199)
	<hr/>	<hr/>

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Non-equity interests in shareholders' funds are analysed by class of share as follows:

	2000 £	1999 £
Preference shares	8,068,670	2,000,000
Accrued preference dividends	626,795	-
	<hr/>	<hr/>
Non-equity	8,695,465	2,000,000
	<hr/>	<hr/>

22 Contingent liabilities

On 5 September 2000, a number of shareholders and Directors were called upon pursuant to their obligations in the Investment Agreement dated 14 July 1999 to subscribe for additional A Ordinary shares in the Company.

If any national insurance and income tax liability were deemed to arise in relation to these subscriptions, the Company is liable for making appropriate payments to the Inland Revenue to discharge them.

The directors have estimated the maximum potential contingent liability in relation to these subscriptions to be approximately £2,100,000.

23 Commitments

Operating leases

Annual commitments under non-cancellable operating leases for land and buildings as follows:

	2000 £	1999 £
Group		
Expiring in more than five years	3,199,408	287,034
	<hr/>	<hr/>

At 31 December 2000, the Group had committed capital expenditures for the development of the IX Data Centres of £10,400,000 (1999: £1,000,000).

Purchase of freehold for Rue Emile Hugues, Sophia Antipolis, France

Under the terms of the agreement dated 20 October 2000 the total amount payable to acquire the freehold is FFr 6,500,000. Of this FFr 650,000 was paid prior to 31 December 2000 with the balance being paid on 9 May 2001.

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Notes to the Financial Statements

24 Reconciliation of operating loss to operating cash flows

	2000 £	1999 £
Operating loss	(9,988,439)	(810,458)
Depreciation and amortisation	653,591	17,201
Other non cash movements	-	57,535
Decrease/(increase) in stocks	14,460	(14,460)
Increase in debtors	(3,407,289)	(471,304)
Increase in creditors	5,715,062	376,561
	<hr/>	<hr/>
Net cash outflow from operating activities	(7,012,615)	(844,925)
	<hr/>	<hr/>

25 Net cash outflow on purchase of IntelliSite BV and its subsidiaries

	2000 £
Fair value of consideration and fees payable	849,522
Cash and cash equivalents acquired	(2,211,212)
Loans acquired	(1,541,194)
	<hr/>
Net cash outflow in respect of acquisitions made during the year	(2,902,884)
	<hr/>

The acquisition of IntelliSite BV and its subsidiaries contributed £281,968 to the group's net operating cash flows and utilised £1,031,041 for capital expenditure.

26 Analysis of net debt

	At 31 December 1999 £	Cash flow £	Acquisitions £	At 31 December 2000 £
Net cash				
Cash in hand and at bank	2,212,913	13,098,029	2,211,212	17,522,154
Debt				
Debt due within one year	(4,918)	4,918	(1,000,000)	(1,000,000)
Debt due after one year	-	-	(541,194)	(541,194)
	<hr/>	<hr/>	<hr/>	<hr/>
	(4,918)	4,918	(1,541,194)	(1,541,194)
	<hr/>	<hr/>	<hr/>	<hr/>
Total net debt	2,207,995	13,102,947	670,018	15,980,960
	<hr/>	<hr/>	<hr/>	<hr/>

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27 Post Balance Sheet events

On 12 April 2001 the Company issued 12,200,000 priority preference shares of £0.01 for cash (excluding expenses) of £12,200,000. In conjunction with this issue of priority preference shares Company issued 428,071 "F" ordinary shares of £0.01 for which no consideration was received.

28 Related Party Transactions

JP Morgan Securities Limited provided professional advice to the Group during the year ended 31 December 2000 relating to the aborted flotation and the issue of the preferred ordinary shares and charged the company £1,440,000 for their services. Of this amount £538,000 was outstanding at 31 December 2000. Francisco Churtichaga, a non-executive director, was also a partner at JP Morgan Communications Partners LP during the year ended 31 December 2000. During the year ended 31 December 2000 both JP Morgan Securities Limited and JP Morgan Communications Partners LP were subsidiaries of JP Morgan & Co. Incorporated. On 31 December 2000 JP Morgan & Co. Incorporated merged with The Chase Manhattan Corporation.

European Acquisition Capital Limited provided the company professional advice to the Group during the year ended 31 December 2000 relating to the issue of the preferred ordinary shares and charged the company £416,000 for their services. No amount was outstanding at 31 December 2000.