

**TeleCity Limited**  
(formerly TeleCity plc)

**Directors' report and financial statements  
for the year ended 31 December 2006**

**Registered Number. 3819054**

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# TeleCity Limited

## Directors' report and financial statements for the year ended 31 December 2006

### Contents

Directors and advisers	1
Directors' report for the year ended 31 December 2006	2
Independent auditors' report	4
Profit and loss account for the year ended 31 December 2006	5
Balance Sheet as at 31 December 2006	6
Notes to the financial statements for the year ended 31 December 2006	7

# **TeleCity Limited**

## **Directors and advisers**

### **Directors**

T Wadcock

M Tobin

B McArthur Muscroft

### **Secretary**

A G Hunter

### **Auditors**

Deloitte & Touche LLP

Chartered Accountants

London

### **Solicitors**

Addleshaw Goddard LLP

Alder Castle

10 Noble Street

London

EC2V 7JW

### **Registered Office**

Masters House

107 Hammersmith Road

London

W14 0QH

### **Registered Number**

3819054

# TeleCity Limited

## Directors' report for the year ended 31 December 2006

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2006

### Principal activities

The principal activity of the Company during the year was the holding of investments in group companies

### Review of business and future developments

The Company did not trade in the year to 31 December 2006

### Results and dividends

The Company's profit for the financial year is £7,579,000 (2005 loss of £8,826,000) The directors do not recommend the payment of a dividend

The main risk the company faces is fluctuations in the underlying value of its investments

### Directors and their interests

The directors who held office during the year are given below

T A Wadcock

M J Gingell (resigned 25 September 2006)

M Tobin (appointed 13 September 2006)

C D Fry (appointed 13 September 2006, resigned 21 March 2007)

### Supplier payment policy and practice

The Company has no trade creditors during the financial year

### Re-registration of the Company and change of name

The Company was re-registered as a private company on 3 July 2007, with the Company's name changing to TeleCity Limited

### Statement of directors' responsibilities

The directors are responsible for preparing 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards have been followed, and
- 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 proper accounting records that 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 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

# TeleCity Limited

## Directors' report for the year ended 31 December 2006 (continued)

### Disclosure of information to auditor:

Each of the persons who is a director at the date of approval of this report confirms that

- a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware and
- b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

### Auditors

The auditors, Deloitte & Touche LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting

By order of the Board 26 October 2007



B McArthur Muscroft  
Director

# TeleCity Limited

## Independent auditors' report to the members of TeleCity Limited

We have audited the financial statements of TeleCity Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
London  
31 October 2007

# TeleCity Limited

## Profit and loss account for the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
<b>Continuing operations</b>			
<b>Administrative expenses</b>		<b>(2,000)</b>	<b>(19,882)</b>
Administrative expenses		-	(61)
Exceptional items	2	(2,000)	(19,821)
<b>Operating loss</b>		<b>(2,000)</b>	<b>(19,882)</b>
Interest receivable and similar income	4	9,579	9,745
Income from shares in group companies		-	1,311
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>7,579</b>	<b>(8,826)</b>
Tax on profit/(loss) on ordinary activities	5	-	-
<b>Retained profit/(loss) for the year</b>	8	<b>7,579</b>	<b>(8,826)</b>

The Company has no recognised gains or losses relating to the current and prior accounting year other than the profit/(loss) above, and therefore no separate statement of total recognised gains and losses has been presented

There are no material differences between the profit/(loss) on ordinary activities before taxation and the retained profit/(loss) for the years stated above and their historical cost equivalents

# TeleCity Limited

## Balance sheet as at 31 December 2006

	Note	2006 £'000	Restated* 2005 £'000
<b>Fixed assets</b>			
Investments	6	65	65
<b>Current assets</b>			
Debtors – amounts owed by group undertakings		30,982	23 403
<b>Net current assets</b>		30,982	23,403
<b>Net assets</b>		31,047	23,468
<b>Capital and reserves</b>			
Called up share capital	7	276	276
Share premium account	8	119,997	119,997
Profit and loss account	8	(89,226)	(96 805)
<b>Equity shareholders' funds</b>	9	31,047	23,468

\* Restated due to change in investments in subsidiary companies as explained in statement of accounting policies

The financial statements on pages 5 to 12 were approved by the board of directors on 26 October 2007 and were signed on its behalf by



**B McArthur Muscroft**  
Director



# TeleCity Limited

## Notes to the financial statements for the year ended 31 December 2006

### 1 Accounting policies

#### Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 1985 and applicable accounting standards

#### Change to accounting policies

The Company's previous policy was to state investments at the book value of the net assets of the subsidiary undertakings. The prior period figures have been restated to reflect the new policy to carry investments at cost. See note 6.

#### Employees and auditors

The Company had no employees in the year. The auditors' remuneration was borne by another group company, the value of which is estimated to be £5,000.

#### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

#### Deferred taxation

Deferred taxation is provided in full on all material timing differences. Deferred tax assets are only recognised to the extent that their recoverability is regarded as more likely than not.

#### Foreign currencies

Assets and liabilities denominated in overseas currencies are translated into sterling at rates of exchange prevailing on the balance sheet date. Exchange differences relating to the retranslation of assets and liabilities are taken to the profit and loss account in the year in which they arise.

#### Cash flow statement and related party disclosure

The Company is a wholly-owned subsidiary of TelecityGroup Investments Limited (formerly Inhoco 3236 plc) and is included in the consolidated financial statements of TeleCity Group plc. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1. The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the TeleCity Group plc group. There are no other related party transactions.

#### Investments in subsidiaries

Investments in subsidiaries are stated at cost. The carrying values are reviewed where there is an indication of impairment with provisions below original cost and the release of previous provisions being dealt with through the profit and loss account.

# TeleCity Limited

## Notes to the financial statements for the year ended 31 December 2006

### 2 Exceptional items

The exceptional items are all attributable to continuing operations. The exceptional items are analysed as follows:

	2006 £'000	2005 £'000
Intercompany loan waived	(2,000)	-
Costs incurred in respect of being taken private in the year	-	(1,171)
Provision in respect of amounts owned by group undertakings	-	(8,445)
Provision against investment in subsidiaries	-	(10,205)
	(2,000)	(19,821)

During the year the Company waived a portion of the loan owed by a subsidiary company.

### 3 Directors' emoluments

The directors received no remuneration in respect of their services to the Company during the year (2005: £nil).

### 4 Interest receivable and similar income

	2006 £'000	2005 £'000
Interest receivable on intercompany loans	9,579	9,745

# TeleCity Limited

## Notes to the financial statements for the year ended 31 December 2006

### 5 Tax on loss on ordinary activities

There is no taxation payable and no provision is required for deferred taxation

	2006 £'000	2005 £'000
Profit/(loss) before tax	7,579	(8,826)
At statutory rate of tax of 30% (2004 30%)	2,274	(2,648)
Expenses not taken into account for tax purposes	600	5,946
Income not taxable		(393)
Group relief claimed	(2,874)	(2,905)
Current year charge	-	-

# TeleCity Limited

## Notes to the financial statements for the year ended 31 December 2006

### 6 Investments

#### Subsidiary companies

	Restated Shares £'000	Loans £'000	Total £'000
<b>Cost</b>			
At 1 January 2006	65	121,819	121,884
Loan waived in year	-	(121,819)	(121,819)
<b>At 31 December 2006</b>	<b>65</b>	<b>-</b>	<b>65</b>
<b>Provisions</b>			
At 31 December 2005	65	121,819	121,884
Prior year adjustment	(65)	-	(65)
Restated as at 1 January 2006	-	121,819	121,819
Movement in respect of loan waived in year	-	(121,819)	(121,819)
<b>At 31 December 2006</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>			
<b>At 31 December 2006</b>	<b>65</b>	<b>-</b>	<b>65</b>
At 31 December 2005	65	-	65

The restatement due to the change in accounting policy resulted in an increase in the carrying value of the investment of £65,000

The subsidiary undertakings and their activities are set out below

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of shares held %	Principal activity
TeleCity UK Limited	UK	See below	100	Internet infrastructure
TeleCity Investments Limited	UK	Ordinary	100	Non-trading
TeleCity Holdings Limited	UK	Ordinary	100	Non-trading

The shares held in TeleCity UK Limited comprise 100% of the ordinary, 'A' ordinary, 'B' ordinary, 9% redeemable preference, 6% 'B' redeemable preference and 10% 'C' redeemable preference shares

# TeleCity Limited

## Notes to the financial statements for the year ended 31 December 2006

### 7 Called up share capital

	Number	£'000
<b>Authorised</b>		
Ordinary shares of 0.1p each		
<b>At 1 January 2006 and 31 December 2006</b>	<b>400,000,000</b>	<b>400</b>
<b>Allotted, called up and fully paid</b>		
Ordinary shares of 0.1p each		
<b>At 1 January 2006 and 31 December 2006</b>	<b>275,675,186</b>	<b>276</b>

### 8 Share premium account and reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 31 December 2005	119,997	(96,870)	23,127
Prior year adjustment	-	65	65
Restated as at 1 January 2006	119,997	(96,805)	23,192
Retained loss for the year	-	7,579	7,579
<b>At 31 December 2006</b>	<b>119,997</b>	<b>(89,226)</b>	<b>30,771</b>

### 9 Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Opening shareholders' funds	23,468	31,828
Prior year adjustment	-	65
Retained loss for the year	7,579	(8,826)
Shares issued	-	401
<b>Closing shareholders' funds</b>	<b>31,047</b>	<b>23,468</b>

# **TeleCity Limited**

## **Notes to the financial statements for the year ended 31 December 2006**

### **10 Immediate and ultimate parent company**

At 31 December 2006 the Company's ultimate parent company was TeleCity Group plc, a company incorporated in Great Britain, registered in England and Wales and with the following address

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

### **11 Post balance sheet event**

Application has been made to the Financial Services Authority (the "FSA") for the ordinary shares in the capital of Telecity Group plc, the Company's ultimate parent undertaking, to be admitted to the Official List of the FSA and to London Stock Exchange plc (the "London Stock Exchange") for such ordinary shares to be admitted to trading on the London Stock Exchange's main market for listed securities ("Admission") Conditional dealings in the ordinary shares commenced on the London Stock Exchange at 8 00 a m (London time) on 24 October 2007