Registered number: 3607764

TELECITYGROUP UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

TELECITYGROUP UK LIMITED

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TELECITYGROUP UK LIMITED
Registered number 3607764
Annual report and financial statements
DIRECTORS AND ADVISORS

Directors
Eric Schwartz (appointed 20 January 2016)
Russell Poole (appointed 5 February 2016)

Company Secretary
A G Hunter

Registered number
3607764

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

Registered office
Masters House
107 Hammersmith Road
London
W14 0QH

STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 December 2015.

Significant events

On 15 January 2016 the entire share capital of the ultimate parent company Telecity Group plc was acquired by Equinix, Inc. On 18 January 2016 the listing of TelecityGroup Shares on the premium listing segment of the Official List and the main market of the London Stock Exchange was cancelled and the Company ceased to be known as Telecity Group plc and became Telecity Group Limited.

The acquisition required clearance from the European Commission, to obtain this clearance the Group and Equinix agreed to divest seven of the TelecityGroup data centres including four owned by the Company. At 31 December 2015 the sales process was actively underway and therefore the assets and liabilities identified for disposal are presented in the balance sheet held for sale.

On 1 April 2016 the Company disposed these assets and liabilities to TelecityGroup UK LON Limited, a company also wholly owned by TelecityGroup International Limited for a price of £327,298,850 realising a gain of approximately £303,000,000.

Business review

The Company encompasses established positions in London and Manchester.

In 2015 a good level of gross order wins was achieved, which combined with a substantially reduced level of churn has resulted in a material increase in the level of net order wins. These order wins were well distributed across all three locations of London Docklands, London Powergate and Manchester. These wins came from a broad base of verticals, the strongest demand coming from the connectivity vertical, as seen for the Group.

	Year ended 31 December 2015	Year ended 31 December 2014	Reported movement
Revenue (£m)	**151,133**	146,765	2.98%
EBITDA (£m)	**67,969**	70,052	(2.97)%
EBITDA margin (%)	**45.0**	48.0	(250)bps
Capital expenditure (£m)	**33.9**	31.9	6.27%
Churn (annualised percentage) (%)	**6.3**	14.1	(810)bps

The reported revenue growth was impacted by a number of prior year non-recurring items. These non-recurring items contributed £5.2m to revenue in 2014 versus £nil in 2015 and include the closure of Prospect House, reduction in Harbour Exchange sub-lease income and the replacement of the UK Carbon Reduction Commitment scheme. The underlying growth rate, which adjusts for these non-recurring items, was 6.5%.

Adjusted EBITDA margin decreased to 45.0% (2014: 47.0%) as the UK business continued to invest in people, processes and systems in order to further drive profitable growth and mitigate churn.

The annualised UK churn rate was 6.3% (2014: 14.1%). This substantial year-on-year reduction was driven by a lower level of renewals, the passing of prior year non-recurring items and the success of churn mitigation measures implemented.

Significant additions of available customer power in 2015 included the previously announced 1.7MW in Manchester and 1.3MW at London Powergate.

STRATEGIC REPORT CONTINUED

Operational and financial risks

The Company's operations expose it to a variety of risks. The Company regularly assesses all areas of risk to which it is exposed and appropriate steps are taken to reduce or eliminate the risks or mitigate their potential impact. The Company has not experienced a material change in its risk profile during the year. Below are listed the principal risks which the Directors consider could affect the Company. These risks are not intended to be an extensive analysis of all risks which may arise in the ordinary course of business or otherwise.

Strategic risk

Risks include an oversupply of carrier neutral data centre capacity within the markets that the Group operates in, a lack of available power in markets where the Group wishes to expand, a lack of available locations where the Group wishes to expand.

These risks are mitigated through long term planning and market analysis.

Operational risks

Risk arising from operating data centres include the risk that the physical infrastructure of a data centre could fail, the industry as a whole is subject to continual environmental and regulatory challenges and new data centre builds or upgrades to existing data centres could suffer from delays, cost overruns or contractor failure.

These risks are mitigated by design resilience within each data centre build, disaster recovery planning and the employment of skilled and experienced personnel.

Financial risks

Financial risks include a number of risks including pricing volatility of supplies, credit risk from the non-payment of suppliers and exposure to exchange rates from trading in a number of countries.

These risks are mitigated in a number of ways including using external consultants to assist in the purchase of major items of expenditure including power, property and capital costs, up front billing of customers and ensuring that each country purchases predominately in local currency.

Following the acquisition of the Group by Equinix,Inc the Group's external borrowings were repaid and the Group funded through intergroup loans.

People Risks

The Group operates complex data centres containing a variety of electrical and mechanical equipment which have to be staffed and maintained by the employees. The Group's data centres also have to be available to customers' representatives to install and maintain their equipment.

The potential risks are mitigated by having well documented processes and procedures in the H&S manual and appropriate training of staff and external contractors ensured. Regular audits are conducted both internally and externally to check adequacy of H&S manuals.

Exceptional items

During the year the Company incurred exceptional items of £560,000 relating to the costs of exiting a lease during 2016. Operating activity at the site ceased in 2014.

Results and dividends

The results for the financial year ended 31 December 2015 are set out in the income statement on page 8. Revenues totalled £151.1m for the year (2014: £146.8m). The growth in revenue and operating profit was as a result of increased demand from existing and new customers.

An interim dividend of £37,000,000 (2014: £35,000,000) was paid during the year as set out in the statement of changes in equity on page 9. The Directors do not recommend payment of a final dividend.

Net assets increased marginally during the year. At the end of the year the company had net assets of £84,655 (2014: £84,355)

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of TelecityGroup UK Limited ('the Company') for the year ended 31 December 2015.

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:

Robert Coupland (resigned 14 March 2016)
Eric Hageman[1] (resigned 11 February 2016)
Eric Schwartz (appointed 20 January 2016)
Russell Poole (appointed 5 February 2016)

No Director had any interests in the shares of the Company at either 1 January 2015 or 31 December 2015. The Directors' interest in the share capital of Telecity Group Limited (formerly Telecity Group plc), the Company's ultimate parent company, is as follows:

Ordinary shares	**Year ended 31 December 2015 Number**	Year ended 31 December 2014 Number
R Coupland (resigned 14 March 2016)	**9,744**	9,744
E Hageman (resigned 11 February 2016)	**10,000**	10,000

Employees

The Company is committed to employment policies that follow best practice and are based on equal opportunities for all employees, irrespective of age, gender, race, colour, sexual orientation, disability or marital status. The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If members of staff become disabled the Company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly. This enables their views to be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Company is encouraged, as is achieving a common awareness on the part of all employees of the financial and economic factors affecting the Company. The Company encourages the involvement of employees by means of briefing meetings as well as more informal communications.

Results and dividends

Results and dividends for the period are discussed in the strategic report.

[1]. The legal name of Eric Hageman is Wilhelmus Hageman.

DIRECTORS' REPORT CONTINUED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, 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. 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 International Financial Reporting Standards (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.

Qualifying third party indemnity provisions have been made in respect of Eric Hageman which remain in force at the date of this report.

Statement of 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 Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with section 418 of the Companies Act 2006.

Independent auditors

PricewaterhouseCoopers LLP continue to serve as auditors for TelecityGroup UK Limited in accordance with section 385 of the Companies Act 2006.

The financial statements on pages 8 to 35 were approved by the board on 5 September 2016

Signed on behalf of the Board

Russell Poole
Director
5 September 2016

Independent auditors' report to the members of TelecityGroup UK Limited

Report on the financial statements

Our opinion

In our opinion, TelecityGroup UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements, comprise:

- the balance sheet as at 31 December 2015;
- the income statement for the year then ended;
- the statement of cash flows 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 the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

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.

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 5, 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 International Standards on Auditing (UK and Ireland) ("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 parent 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.

What an audit of financial statements involves

We conducted our audit in accordance with 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements 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.

Jaskamal Sarai (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
12 September 2016

TELECITYGROUP UK LIMITED
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INCOME STATEMENT

	Note	**Year ended 31 December 2015 £'000**	Year ended 31 December 2014 £'000
Revenue	4	**151,133**	146,765
Cost of sales		**(65,573)**	(64,423)
Gross profit		**85,560**	82,342
Sales and marketing costs		**(5,373)**	(4,186)
Administrative costs analysed:			
Depreciation		**(19,955)**	(16,928)
Operating exceptional items	11	**(560)**	-
Other administrative costs		**(11,658)**	(8,104)
Total administrative costs		**(32,173)**	(25,032)
Operating profit		**48,014**	53,124
Finance income	7	**4**	20
Finance costs	8	**(4,072)**	(1,523)
Other financing items	9	**(1)**	(20)
Profit before tax		**43,945**	51,601
Income tax	13	**(7,494)**	(10,107)
Profit for the financial year attributable to parent		**36,451**	41,494
Total comprehensive income attributable to parent		**36,451**	41,494

There are no other items of comprehensive income other than those shown above.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital £'000	Share premium account £'000	Retained profits £'000	Other reserve £'000	Total Equity £'000
At 1 January 2014	**2,500**	**10,000**	**133,169**	**(68,268)**	**77,401**
Profit for the year	—	—	41,494	—	41,494
Total comprehensive income for the year ended 31 December 2014	—	—	41,494	—	41,494
Transactions with owners:					
Credit in respect of share-based payments	—	—	440	—	440
Tax charge relating to share option scheme	—	—	20	—	20
Interim dividend paid	—	—	(35,000)	—	(35,000)
	—	—	(34,540)	—	(34,540)
At 31 December 2014 and 1 January 2015	**2,500**	**10,000**	**140,123**	**(68,268)**	**84,355**
Profit for the year	—	—	36,451	—	36,451
Total comprehensive income for the year ended 31 December 2015	—	—	36,451	—	36,451
Transactions with owners:					
Credit in respect of share-based payments	—	—	578	—	578
Tax charge relating to share option scheme	—	—	271	—	271
Interim dividend paid	—	—	(37,000)	—	(37,000)
	—	—	(36,151)	—	(36,151)
At 31 December 2015	**2,500**	**10,000**	**140,423**	**(68,268)**	**84,655**

Disclosure of share capital can be found in note 23.

A description of each reserve is given in note 24.

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BALANCE SHEET

	Note	As at 31 December 2015 £'000	As at 31 December 2014 £'000
Assets			
Non-current assets			
Property, plant and equipment	14	**256,437**	281,174
Trade and other receivables	16	**296**	315
		256,733	281,489
Current assets			
Trade and other receivables	16	**13,059**	12,887
Cash and cash equivalents	17	**4,979**	6,916
Assets held for disposal	18	**36,406**	
		54,444	19,803
Total assets		**311,177**	301,292
Equity			
Share capital	23	**2,500**	2,500
Share premium account		**10,000**	10,000
Other reserve		**(68,268)**	(68,268)
Retained profits		**140,423**	140,123
Total equity		**84,655**	84,355
Liabilities			
Non-current liabilities			
Trade and other payables	19	**130,096**	119,190
Borrowings	21	**8,192**	13,224
Deferred income	20	**14,493**	14,716
Deferred tax liability	13	**14,828**	17,302
		167,609	164,432
Current liabilities			
Trade and other payables	19	**20,121**	20,189
Deferred income	20	**16,297**	22,133
Liabilities held for disposal	18	**10,909**	—
Provisions for other liabilities and charges	22	**960**	—
Current income tax liability		**5,594**	5,326
Borrowings	21	**5,032**	4,857
		59,913	52,505
Total liabilities		**226,522**	216,937
Total equity and liabilities		**311,177**	301,292

The financial statements were approved by the board of Directors and authorised for issue on 5 September 2016 and signed on its behalf by:

Russell Poole
Director

STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Cash inflow from operations	25	**68,854**	62,789
Interest received		**4**	20
Interest paid		**(3,497)**	(802)
Interest element of finance lease payments		**(574)**	(722)
Taxation paid		**(7,443)**	(9,570)
Net cash flow from operating activities		**57,344**	51,715
Cash flows from investing activities			
Purchase of property, plant and equipment		**(30,088)**	(30,041)
Net cash used in investing activities		**(30,088)**	(30,041)
Cash flows from financing activities			
Proceeds from borrowings		**—**	2,898
Repayment of finance leases		**(4,857)**	(4,697)
Inter-company funding drawn-down		**12,665**	16,790
Dividends paid to company's shareholders	31	**(37,000)**	(35,000)
Net cash outflow from financing activities		**(29,192)**	(20,009)
Net (decrease)/increase in cash and cash equivalents		**(1,936)**	1,665
Effects of foreign exchange rate change		**(1)**	(20)
Cash and cash equivalents at beginning of year		**6,916**	5,271
Cash and cash equivalents at end of year	17	**4,979**	6,916

NOTES TO THE FINANCIAL STATEMENTS

1. General information

TelecityGroup UK Limited is a limited company incorporated, and domiciled, in the United Kingdom and has Sterling as its presentation and functional currency. TelecityGroup UK Limited operates in the internet infrastructure facilities and associated services industry.

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.

A number of new standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2015 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' addresses the classification, measurement and derecognition of financial assets and financial liabilities. When adopted, the standard is not expected to have a material effect on the Company's results.

IFRS 15, 'Revenue from contracts with customers' establishes principles for reporting information to users of financial statements about the nature, amount, timing and uncertainty about revenue and cash flows arising from the entity's contracts with customers. When adopted, the standard is not expected to have a material effect on the Company's results.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.3 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	3–5 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.4 Financial assets (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

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 year 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
2. Summary of significant accounting policies (continued)

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 possible, rather than probable, it is disclosed as a contingent liability. When assessing the likelihood of this liability arising, the Directors take into account the terms of the lease. If the likelihood of this liability is judged to be probable and can be reliably estimated, the discounted cost of the liability is included in leasehold improvements and is depreciated over the duration of the lease.

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 Limited (formerly 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 Limited (formerly 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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:

- **Property, plant and equipment depreciation** – estimated remaining useful lives and residual values are reviewed annually. The carrying values of property, plant and equipment 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 and residual values is based on the Directors' best estimates of future prices, output and costs and is therefore subjective.
- **Dilapidations provisions** – liabilities in respect of obligations to restore premises to their original condition are estimated at the commencement of the lease and are reviewed every six months. The actual cost of these may be different depending upon whether the Company renews the lease.
- **Deferred taxation** – full provision is made for deferred taxation, as required under IAS 12, 'Income taxes', at the rates of tax prevailing at the year 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 derives its revenue from the provision of colocation and related services.

5. Directors' emoluments

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

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Salaries and benefits	**557**	315
Pension costs – defined contribution plans	**16**	16
	573	331

Certain Directors are also Directors of Telecity Group Limited (Telecity Group plc) are remunerated for their services to the Group as a whole and it is not practicable to allocate their remuneration to each subsidiary company. The total remuneration of these Directors is disclosed in the annual report of Telecity Group Limited and is excluded from this note.

Post-employment benefits comprise contributions to defined contribution pension schemes. Retirement benefits are accruing from the Company for 1 Director (2014: 1)

The highest paid Director earned £573,000 (2014: £331,000).

No payment for compensation will be provided by the Company for loss of office to any Director.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Employee information

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

	Year ended 31 December 2015 Number	Year ended 31 December 2014 Number
By activity		
Operations	**202**	202
Sales and marketing	**38**	32
Administration	**33**	26
	273	260

	£'000	£'000
Staff costs (for the above persons) including redundancy costs		
Wages and salaries	**13,673**	12,147
Social security costs	**1,708**	1,499
Pension payments – defined contribution plans	**357**	304
Share-based payments	**578**	440
	16,316	14,390

The directors comprise the key management of the company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Employee information (continued)

The share-based payment charge is in respect of share options over the shares of Telecity Group Limited (formerly 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 2015			At 31 December 2014		
	Exercise price £	Expiry date	**Vested ('000)**	**Not vested ('000)**	**Total outstanding ('000)**	Vested ('000)	Not vested ('000)	Total outstanding ('000)
2008 Performance share plan	2.12	October 2015	**6**	**—**	**6**	6	—	6
2012 Performance share plan	N/A	February 2022	**—**	**—**	**—**	—	62	62
2012 enhanced performance share plan	N/A	April 2022	**—**	**—**	**—**	—	34	34
2012 share save scheme	7.09	April 2016	**—**	**—**	**—**	—	56	56
2013 long term incentive plan	N/A	February 2023	**—**	**114**	**114**	—	126	126
2013 share save scheme	6.94	April 2017	**—**	**20**	**20**	—	44	44
2014 long term incentive plan	N/A	February 2024	**—**	**179**	**179**	—	173	173
2014 share save scheme	5.93	March 2018	**—**	**127**	**127**	—	161	161
2015 LTIP	N/A	June 2025	**—**	**43**	**43**	—	—	—
2015 RSP	N/A	June 2025	**—**	**21**	**21**	—	—	—
Total			**6**	**504**	**510**	6	656	662

The weighted average exercise price of vested share options is £2.12 (2014: £2.12).

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

	2015		2014	
	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	**6.25**	**267**	6.74	106
Granted	**—**	**—**	5.93	161
Transferred in	**6.58**	**(84)**	—	—
Exercised	**7.09**	**(30)**	—	—
At 31 December	**5.91**	**153**	6.25	267

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Employee information (continued)

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

	2015	2014
	Number of performance shares '000	Number of performance shares '000
At 1 January	**395**	349
Granted	**79**	177
Lapsed	**(117)**	(131)
At 31 December	**357**	395

The average share price during the year was £10.14 (2014: £7.33).

Performance shares granted during the current and previous year were valued using the Monte Carlo option-pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	**November 2015 Sharesave**	**February 2015 Performance shares**	November 2014 Sharesave	February 2014 Performance shares
Share price (£)	**10.75**	**10.75**	7.40	6.53
Exercise price (£)	**Nil**	**Nil**	5.93	nil
Expected volatility	**30.2**	**30.2**	27.2	31.5
Expected life (years)	**3.0**	**3.0**	3.0	3.0
Risk free rate	**0.91**	**0.91**	0.97	1.05
Expected dividend yield	**1.3**	**1.3**	1.6	1.8
Fair value per option (£)	**7.55**	**7.55**	1.69	2.78

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:

	February 2015	February 2014
	%	%
Average share price volatility FTSE 250 comparator group	**26**	31
Average correlation FTSE 250 comparator group	**16**	32

The expected Telecity Group Limited (formerly 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Finance income

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Bank and other interest	**4**	20

8. Finance costs

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Interest payable on intergroup loan	**4,469**	3,149
Interest payable on finance leases	**575**	722
Other interest payable	**33**	35
Less interest capitalised (note 14)	**(1,005)**	(2,383)
	4,072	1,523

Interest is capitalised in respect of borrowings that are funding assets in the course of construction. The interest rate charged on the capitalised interest was 1.49% (2014: 3.5%).

9. Other financing items

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Foreign exchange loss on cash balances	**(1)**	(20)

10. *Auditors' remuneration*

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Auditors' remuneration for:		
- the auditing of Company's financial statements	**51**	51

11. Exceptional items

Exceptional items of £560,000 relate to the costs of exiting a lease during 2016. Operating activity at the site ceased in 2014.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Expenses by nature

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Electricity costs	**16,745**	19,655
Property costs	**24,052**	23,953
Staff and staff-related costs	**18,145**	15,248
Depreciation expense	**19,955**	16,928
Other costs	**23,272**	17,857
	102,169	93,641

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Income tax

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Current tax:		
Current tax on profit for the year	**7,823**	8,948
Charge in respect of group relief received from fellow group companies	**3,756**	3,095
Adjustments in respect of prior years	**(3,852)**	(3,882)
Total current tax	**7,727**	8,161
Deferred tax:		
Origination and reversal of temporary differences	**1,688**	2,907
Impact of change in UK tax rate	**(1,853)**	(732)
Adjustments in respect of prior years	**(68)**	(229)
Total deferred tax	**(233)**	1,946
Total income tax charge	**7,494**	10,107

The tax on the Company's profit 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 2015 £'000	Year ended 31 December 2014 £'000
Profit before tax	**43,945**	51,601
Profit before tax multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	**8,898**	11,094
Items not taken into account for tax purposes and other timing differences	**(34)**	119
Adjustments in respect of prior years	**(3,920)**	(4,111)
Charge in respect of group relief received from fellow group companies	**3,756**	3,095
Impact of non-deductible expenditure	**647**	642
Re-measurement of deferred tax: impact of change in the UK tax rate	**(1,853)**	(732)
Total tax charge	**7,494**	10,107

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Group's UK profits for 2015 were taxed at an effective rate of 20.25%.

Furthermore, in July 2015, the UK government announced that the future tax rate would reduce to 19% on 1 April 2017, followed by a further reduction to 18% on 1 April 2018. The relevant deferred tax balances at 31 December 2015 have been re-measured at the rates at which the deferred tax balances are forecast to reverse.

At the year end the Company recognised a net deferred tax liability of £16,814,000 (2014: £17,302,000) in respect of accelerated tax depreciation, partially off-set by share-based payment tax timing differences. The deferred tax assets and liabilities have been offset only when the amounts are expected to reverse in similar periods and the amounts would be available for offset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Income tax (continued)

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

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Deferred tax assets:		
- Deferred tax assets to be recovered after more than 12 months	**435**	63
	435	63
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	**(17,249)**	(17,365)
	(17,249)	(17,365)
Deferred tax liabilities (net)	**(16,814)**	**(17,302)**
Deferred tax liabilities – continuing business	**(14,828)**	(17,302)
Deferred tax liabilities – liabilities held for disposal (note 18)	**(1,986)**	—
Deferred tax liabilities (net)	**(16,814)**	**(17,302)**

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

	Onerous lease £'000	Accelerated tax depreciation £'000	Share-based payment timing difference £'000	Total £'000
At 1 January 2014	**253**	**(15,641)**	**12**	**(15,376)**
Credited/(charged) to income statement	(253)	(1,724)	31	(1,946)
Charged directly to equity	—	—	20	20
At 31 December 2014	**—**	**(17,365)**	**63**	**(17,302)**
Credited/(charged) to income statement	**—**	116	117	**233**
Liabilities held for disposal (note 18)	**—**	1,986	**—**	**1,986**
Charged directly to equity	**—**	—	255	**255**
At 31 December 2015	**—**	**(15,263)**	**435**	**(14,828)**

Of the share-based timing difference closing deferred tax asset, £160,000 (2014: £43,000) had been recognised through the Income Statement and £275,000 (2014: £20,000) had been recognised via equity.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Property, plant and equipment

	Assets in the course of construction £'000	Leasehold improvements £'000	Plant and machinery £'000	Office equipment £'000	Total £'000
Cost					
At 1 January 2014	**69,080**	**92,298**	**238,237**	**5,587**	**405,202**
Additions	13,160	785	15,075	67	**29,087**
Disposals	—	(3,970)	(16,085)	(457)	**(20,512)**
Transfers	(7,120)	865	6,255	—	**—**
At 31 December 2014	**75,120**	**89,978**	**243,482**	**5,197**	**413,777**
Additions	13,127	4,502	10,846	1,290	**29,765**
Assets held for disposal	(2,626)	(28,758)	(73,570)	(1,290)	**(106,244)**
Transfers	(29,970)	—	5,125	24,845	**—**
At 31 December 2015	**55,651**	**65,722**	**185,883**	**30,042**	**337,298**
Accumulated depreciation					
At 1 January 2014	**—**	**39,977**	**91,417**	**4,793**	**136,187**
Charge for year	—	3,321	13,402	205	**16,928**
Disposals	—	(3,970)	(16,085)	(457)	**(20,512)**
At 31 December 2014	**—**	**39,328**	**88,734**	**4,541**	**132,603**
Charge for year	—	3,729	15,050	1,176	**19,955**
Assets held for disposal	—	(24,203)	(46,194)	(1,300)	**(71,697)**
At 31 December 2015	**—**	**18,854**	**57,590**	**4,417**	**80,861**
Net book value					
At 31 December 2015	**55,651**	**46,868**	**128,293**	**25,625**	**256,437**
At 31 December 2014	75,120	50,650	154,748	656	**281,174**
At 1 January 2014	69,080	52,321	146,820	794	**269,015**

The net book value of assets held under finance lease at 31 December 2015 is £24,495,000 (2014: £25,734,000).

Included within additions to assets in the course of construction for the year are capitalised finance costs, incurred at an average rate of 1.49% (2014: 3.5%), and other costs (principally rent and rates incurred during the construction or commissioning phase) in respect of the Company's new data centres totalling £1,005,000 and £3,519,000 respectively (2014: £2,383,000 and £2,141,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Financial instruments

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:

	Note	**31 December 2015 £'000**	31 December 2014 £'000
Financial assets			
Loans and receivables:			
Trade receivables - net	16	**7,788**	5,851
Other receivables	16	**279**	595
Accrued income	16	**1,148**	1,113
Cash and cash equivalents	17	**4,979**	6,916
Total financial assets		**14,194**	14,475
Financial liabilities			
Amortised cost			
Trade payables	18	**5,113**	5,104
Other payables and accruals	18	**9,951**	13,266
Amounts due to fellow Group companies	18	**132,503**	119,798
Total financial liabilities		**147,567**	138,168

16. Trade and other receivables

	31 December 2015 £'000	31 December 2014 £'000
Current		
Trade receivables – gross	**7,986**	6,237
Impairments	**(198)**	(386)
Trade receivables – net	**7,788**	5,851
Other receivables	**245**	280
Prepayments	**3,878**	5,643
Accrued income	**1,148**	1,113
	13,059	12,887
Non-current		
Rental deposit	**262**	281
Other receivables	**34**	34
	296	315

The Directors consider the carrying values of these assets to approximate to their fair values due to their short maturity period. £307,000 (2014: £146,000) of the trade and other receivables are denominated in Euros and the remainder in Sterling.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Trade and other receivables (continued)

Due to effective credit control procedures, the Company is not significantly exposed to the risk of bad debt. In addition, the Company's up-front billing cycle means that customers are due to pay in advance of receiving the service. The following disclosures are in respect of trade receivables that are either impaired or past their due date. The credit quality of the remaining trade receivables is considered good.

Included within trade receivables is an amount of £3,616,000 (2014: £2,388,000) in respect of amounts which are past their due date. These relate to a number of independent customers for whom there is considered to be little risk of default and therefore such amounts have not been impaired. The ageing analysis of these amounts is shown below:

	31 December 2015 £'000	31 December 2014 £'000
Up to 3 months	**3,252**	2,284
3 to 6 months	**364**	104
	3,616	2,388

The impairment balance above relates to receivables with a gross value of £198,000 (2014: £390,000). The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations. Any impairment is assessed on a customer by customer basis following a detailed review of the particular circumstances. To the extent they have not been specifically provided against, the trade receivables are considered to be of sound credit rating. The ageing analysis of these amounts is shown below:

	31 December 2015 £'000	31 December 2014 £'000
Up to 3 months	**141**	285
3 to 6 months	**36**	31
More than six months	**21**	74
	198	390

Movements on the provision for impairment of trade receivables are as follows:

	31 December 2015 £'000	31 December 2014 £'000
At 1 January	**386**	369
(Reduction)/increase in provision for receivables impairment	**34**	141
Receivables written off during the year as uncollectible	**(222)**	(124)
At 31 December	**198**	386

The Company holds deposits of £1,371,000 (2014: £365,000) as security against the trade receivables. The impairment of trade receivables is charged and included within the other administrative costs in the income statement on page 9.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Cash and cash equivalents

	31 December 2015 £'000	31 December 2014 £'000
Cash at bank and in hand	**4,979**	6,916

18. Assets and liabilities held for disposal

On 15 January 2016 the entire share capital of Telecity Group Limited (formerly Telecity Group plc) was acquired by Equinix, Inc. The acquisition required clearance from the European Commission, to obtain this clearance the Group and Equinix agreed to divest seven of the TelecityGroup data centres including four owned by the Company. At 31 December 2015 the sales process was actively underway and therefore the assets and liabilities identified for disposal are presented in the balance sheet held for sale.

On 1 April 2016 the Company disposed these assets and liabilities to TelecityGroup UK LON Limited, a company also wholly owned by TelecityGroup International Limited for a price of £411,500,000.

	31 December *2015* £'000
Property plant and equipment	34,547
Other receivables	88
Prepayments	1,771
Assets held for disposal	**36,406**
Deferred income	7,586
Deferred income tax liability	1,986
Accruals	1,196
Other payables	141
Liabilities held for disposal	**10,909**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Trade and other payables

Current	31 December 2015 £'000	31 December 2014 £'000
Trade payables	**5,113**	5,104
Amounts due to fellow Group companies	**2,407**	608
Other payables	**1,548**	1,835
Taxation and social security	**2,650**	1,211
Accruals	**8,403**	11,431
	20,121	20,189

The Directors consider the carrying values of these liabilities to approximate to their fair values due to their short maturity period. The carrying amount of the Company's trade and other payables are denominated in Sterling.

Non-current	31 December 2015 £'000	31 December 2014 £'000
Amounts due to fellow Group companies	**130,096**	119,190

The Directors consider the carrying values of these liabilities to approximate to their fair value as they attract a market rate of interest that is linked to LIBOR.

20. Deferred income

Current	31 December 2015 £'000	31 December 2014 £'000
Deferred revenue	**15,797**	21,633
Deferred lease incentive	**500**	500
	16,297	22,133
Non-current		
Deferred revenue	**2,160**	1,883
Deferred lease incentive	**12,333**	12,833
	14,493	14,716
Total deferred income	**30,790**	36,849

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Borrowings

Obligations under finance leases	31 December 2015 £'000	31 December 2014 £'000
Current	**5,032**	4,857
Non-current	**8,192**	13,224
	13,224	18,081

The maturity profile of the borrowings is set out below:

	31 December 2015 £'000	31 December 2014 £'000
Within one year	**5,432**	5,432
In one to two years	**5,432**	5,432
In two to three years	**2,070**	5,432
In three to four years	**473**	2,189
In four to five years	**473**	473
After five years	**79**	433
Gross borrowings	**13,959**	19,391
Less future interest	**(735)**	(1,310)
Net borrowings	**13,224**	18,081

The Directors consider the carrying value of the borrowings to approximate their fair values as they attract a market rate of interest.

22. Provisions for other liabilities and charges

	Dilapidations £'000	Onerous leases £'000	Total £'000
At 1 January 2014	1,558	1,203	2,761
Release unused	(333)	(348)	(681)
Utilised	(1,225)	(855)	(2,080)
At 1 January 2015	-	-	-
Utilised	960	-	960
At 31 December 2015	**960**	**-**	**960**

The dilapidation provision relates to the estimated cost of returning one of the Group's properties to its original condition at the expiry of the lease within the next 12 months.

23. Share capital

	31 December 2015 £'000	31 December 2014 £'000
Allotted and fully paid		
2,500,502 ordinary (2014: 2,500,502) shares of £1 each	**2,500**	2,500

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Reserves

Share capital represents the nominal value of the shares issues by the Company.

Retained profits represent the realised and unrealised gains and losses made by the Company.

Share premium account represents the amounts over nominal value in respect of shares issued.

The Other reserve arose on the acquisition of the trade and assets of fellow Group companies, and represents the difference between the net assets acquired and consideration paid.

25. Cash flow from operations

Reconciliation of profit before tax to net cash flow from operations:

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Profit before tax	**43,945**	51,601
Add finance costs	**4,072**	1,523
Less finance income	**(4)**	(20)
Add other financing items	**1**	20
Depreciation charge	**19,955**	16,928
Share-based payments	**579**	440
Movement in receivables	**(2,011)**	(498)
Movements in trade and other payables	**(669)**	(2,181)
Movement in deferred income	**2,026**	(2,263)
Movement in provisions	**960**	(2,761)
	68,854	62,789

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. Net debt

The Company's net debt and gearing are shown below:

	Note	**31 December 2015 £'000**	31 December 2014 £'000
Amount owed to fellow Group companies – non current	18	**130,096**	119,190
Borrowings	20	**13,224**	18,081
Cash and cash equivalents	17	**(4,979)**	(6,916)
Net debt		**138,341**	130,355
Total equity		**84,967**	84,355
Total capital		**223,308**	214,710
Gearing ratio		**62%**	61%

Reconciliation of net debt:		**31 December 2015 £'000**	31 December 2014 £'000
(Decrease)/increase in cash and cash equivalents		**(1,936)**	1,665
Cash outflow from movement in debt		**(4,291)**	(15,374)
(Increase)/decrease in current Group payables	18	**(1,759)**	191
Other non-cash movements in net debt		**-**	(20)
Change in net debt		**(7,986)**	(13,538)
Net debt at the beginning of the year		**(130,355)**	(116,817)
Net debt at the end of the year		**(138,341)**	(130,355)

27. Financial commitments

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

	Land and buildings	
	31 December 2015 £'000	31 December 2014 £'000
Within one year	**16,509**	15,905
Between two and five years	**66,936**	60,751
In more than five years	**301,789**	294,324
	385,234	370,980

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Operating lease payments incurred during the year		
- property	**17,614**	22,038

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Capital commitments

Capital expenditure, in respect of property, plant and equipment, that had been contracted for but not provided for in the financial statements at 31 December 2015 amounted to £5,744,000 (2014: £4,335,000).

29. Contingent liabilities

At 31 December 2015 the estimated discounted cost of reinstating leasehold properties at the end of leases in accordance with the lease contracts amounted to £3,930,000 (2014: £3,930,000). In addition to this, £960,000 (2014: £nil) is recorded within provisions (note 21). The leases expire over a period of up to 27 years. When assessing the likelihood of this liability arising, the Directors take into account the terms of the lease. If the likelihood of this liability arising is judged to be probable and can be reliably estimated, the discounted cost of the liability is included in leasehold improvements and is depreciated over the duration of the lease.

30. Related party transactions

During the year, the following transactions had occurred between the Company and other TelecityGroup companies:

TelecityGroup International Limited charged the Company £5,661,000 (2014: £4,789,000) in respect of the provision of services. At the year end an amount of £2,039,000 was owed to TelecityGroup International Limited (2014: £544,000 owed to TelecityGroup International Limited).

The Company has an intergroup loan with TelecityGroup Investments Limited. During the year the Company was charged £4,469,000 (2014: £3,149,000) in respect of interest. At the year end an amount of £130,096,000 was owed to TelecityGroup Investments Limited (2014: £119,190,000).

During the year the Company purchased colocation services from other Group companies at arm's length prices. The value of services purchased and any amounts outstanding at the year end are shown below:

	Year ended 31 December 2015		Year ended 31 December 2014	
	Value of services purchased	**Year-end balance**	Value of services purchased	Year-end balance
	£'000	**£'000**	£'000	£'000
TelecityGroup France	**602**	**50**	585	33
TelecityGroup Netherlands	**1,784**	**162**	891	27
TelecityGroup Germany	**478**	**98**	421	46
TelecityGroup Italia	**-**	**-**	-	(42)
TelecityGroup Sweden	**73**	**17**	-	-
TelecityGroup Poland	**236**	**40**	-	-

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. Dividends

	2015	2014
	£'000	£'000
Equity - ordinary		
Interim paid: 14.797p (2014: 13.997p) per £1 share	**37,000**	35,000
	37,000	35,000

32. Immediate and ultimate parent undertaking

At 31 December 2015 the Company's immediate parent undertaking was TelecityGroup International Limited and its ultimate parent company and ultimate controlling party was Telecity Group Limited (formerly TelecityGroup 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 Limited (formerly Telecity Group plc).

33. Post balance sheet events

On 15 January 2016 the entire share capital of the ultimate parent company, Telecity Group plc, was acquired by Equinix, Inc. On 18 January 2016 the listing of TelecityGroup Shares on the premium listing segment of the Official List and the main market of the London Stock Exchange was cancelled and the Company ceased to be known as Telecity Group plc and became Telecity Group Limited.

The acquisition required clearance from the European Commission, to obtain this clearance the Group and Equinix agreed to divest seven of the TelecityGroup data centres including four owned by the Company. At 31 December 2015 the sales process was actively underway and therefore the assets and liabilities identified for disposal are presented in the balance sheet held for sale.

On 1 April 2016 the Company disposed these assets and liabilities to TelecityGroup UK LON Limited, a company also wholly owned by TelecityGroup International Limited for a price of £327,298,850 realising a gain of approximately £303,000,000.