Registered number: 3607764

TELECITYGROUP UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

TELECITYGROUP UK LIMITED

COMPANY INFORMATION

Directors	Eric Schwartz (appointed 20 January 2016) Russell Poole (appointed 5 February 2016)
Company secretary	A G Hunter
Registered number	3607764
Registered office	Masters House 107 Hammersmith Road London W14 0QH
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors The Atrium 1 Harefield Road Uxbridge, Middlesex UB8 1EX

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their annual report and the audited financial statements of TelecityGroup UK Limited ("the Company") for the year ended 31 December 2016.

Business review

Equinix (UK) Acquisition Enterprises Limited, an indirect subsidiary of Equinix, Inc., acquired Telecity Group plc (now Telecity Group Limited) and its subsidiaries (the "TelecityGroup"), on 15 January 2016, and as a result of the acquisition, the Company became part of the group of companies of which Equinix, Inc. is the ultimate parent, the intention being to integrate the businesses of the subsidiaries of the Telecity Group into the Equinix Group and the Equinix central or commissionaire business model and to preserve the Equinix Group's status as a real estate investment trust under the United States Internal Revenue Code of 1986, as amended.

Over the course of 2016 the Company engaged in a business model optimization ("BMO") project. Under the terms of the project the subsidiaries of Telecity Group Limited were prepared for integration into Equinix's pre existing European legal entity structure or sale to external third parties where the Competition authorities had raised concerns. The acquisition required clearance from the European Commission. To obtain this clearance Equinix, Inc. and TelecityGroup agreed commitments to divest seven of the TelecityGroup data centres including some owned by the Company. On 2 February 2016 Telecity Group International Limited incorporated TelecityGroup UK LON Limited to acquire these seven datacenters along with the business associated with each.

On 1 April 2016, the Company sold four of its datacenters to TelecityGroup UK LON Limited for a price of £327 million realising a gain of approximately £309 million.

On 1 October 2016, the Company sold of its remaining assets to three companies within the Equinix group, Equinix (Services) UK Limited, Equinix (UK) Enterprises Limited and Equinix (UK) Limited, and ceased trading operations. The total consideration received for these remaining assets and liabilities was £876 million realising a gain of approximately £663 million.

Net order wins were positive in the period, despite gross order wins and churn being impacted by the divestment and integration activities during the year.

	Year ended 31 December 2016	Year ended 31 December 2015	Reported movement
Revenue (£'000)	91,996	151,133	(39.1)%
EBITDA (£'000)	35,580	67,969	(47.7)%
EBITDA margin (%)	39.0	45.0	(6.0)%

The reported revenue reduction from £151.1 million to £92.0 million was primarily a result of the disposal of approximately one third of the business to TelecityGroup UK LON Limited, and the transfer of the trade assets to Equinix UK Limited on 1 October 2016.

Adjusted EBITDA margin decreased to 39.0% (2015: 45.0%), due to the reduced activities as the new management team assessed and prioritised new developments.

Capital

On 9 September 2016, the Company allotted 3 million ordinary A shares at nominal value of £1 each for a total consideration of £1. The shares were allotted in respect of the capitalisation of a portion of the retained earnings account of the Company.

Business review (continued)

Capital (continued)

On 14 September 2016, the Company passed a resolution to reduce its capital (consisting of share capital and share premium). As a result, the share capital of the Company has been reduced by cancelling and extinguishing 5,500,502 ordinary shares of £1 each thus reducing the share capital to 1 ordinary share with nominal value £1. The share premium account has been cancelled and the amount of £10.0 million has been transferred to retained earnings.

Dividends paid

On 29 July 2016, the Company declared and paid a dividend in cash of £202.0 million.

On 3 October 2016, the Company declared and paid a dividend in specie of £873.9 million which was settled through the assignment of intercompany receivables previously due to the Company.

Net assets reduced to £7.6 million during the year (2015: £84.7 million) due to dividend distributions as mentioned above.

Key performance indicators ('KPIs')

As the Company is integrated within the Equinix group, it does not individually monitor key performance indicators. Analysis of group KPI's are given in the consolidated financial statements of Equinix, Inc., the ultimate parent company.

Principal risks and uncertainties

The Company's balance sheet is mainly comprised of receivables from group undertakings. Therefore, it is not subject to any material risks and uncertainties.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

Financial risk management

Since the Company's balance sheet is mainly comprised of receivables from group undertakings, the Company is not exposed to any financial risks.

This report was approved by the board and signed on its behalf.

Eric Schwartz
Director

Date: 29-11-2017

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the audited financial statements for the year ended 31 December 2016.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

The directors 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.

Results and dividends

The profit for the financial year, amounted to £998.8 million (2015 - £36.5 million).

Discussion of dividends for the year are in the business review section of the Strategic Report.

Directors

The directors who served during the year and up to the date of signing the financial statements were:

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

The Company maintains insurance against certain liabilities which could arise from a negligent act or a breach of duty by its directors and officers in the discharge of their duties. This is a qualifying third-party indemnity provision as defined in section 234 of the Companies Act 2006. These indemnities would not provide any coverage where a director is proved to have acted fraudulently or dishonestly.

Financial risk management

Discussion of financial risk management for the year are in the financial risk management section of Strategic Report.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

Future developments

As noted in the strategic report, the Company has ceased its trading activities following the business disposal. In conjunction with an ongoing legal structure rationalization review the directors are considering the future of this company.

Disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved;

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

Post balance sheet events

There were no events occurring after the balance sheet date that required disclosure, or adjustment to the financial statements of the Company.

Auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

Eric Schwartz
Director

Date: 29-11-2017

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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, comprise:

- the balance sheet as at 31 December 2016;
- the income statement and statement of comprehensive income for the year then ended;
- the statements 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 United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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 in respect of financial statements set out on page 4, 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 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 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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Hitesh Haria

Hitesh Haria (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
29 November 2017

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £000	*2015 £000*
Revenue	5	**91,996**	*151,133*
Cost of sales		**(41,622)**	*(65,557)*
Gross profit		**50,374**	*85,576*
Sales and marketing costs		**(3,765)**	*(5,373)*
Administrative costs		**(25,151)**	*(31,629)*
Operating exceptional items	6	**-**	*(560)*
Operating profit	7	**21,458**	*48,014*
Interest receivable and similar income	8	**15**	*4*
Interest payable and expenses	9	**(3,098)**	*(4,072)*
Other non-operating income	10	**972,211**	*-*
Other finance expenses	11	**-**	*(1)*
Profit before taxation		**990,586**	*43,945*
Tax on profit	15	**8,245**	*(7,494)*
Profit for the financial year and total comprehensive income		**998,831**	*36,451*

There was no other comprehensive income in 2016 (2015:nil).

The notes on pages 11 to 31 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £000	*2015 £000*
Fixed assets			
Tangible fixed assets	17	-	*256,437*
Current assets			
Assets held for disposal		-	*36,406*
Debtors: amounts falling due after more than one year	18	-	*296*
Debtors: amounts falling due within one year	18	**9,241**	*13,059*
Cash at bank and in hand	19	-	*4,979*
Creditors: amounts falling due within one year	20	**(1,637)**	*(58,913)*
Total assets less current liabilities		**7,604**	*252,264*
Creditors: amounts falling due after more than one year	21	-	*(167,609)*
Net assets		**7,604**	*84,655*
Capital and reserves			
Called up share capital	24	-	*2,500*
Share premium account	25	-	*10,000*
Retained earnings	25	**7,604**	*72,155*
Total shareholders' funds		**7,604**	*84,655*

The financial statements on the pages 8 to 31 were approved and authorised for issue by the board and were signed on its behalf by:

Eric Schwartz
Director

Registered number: 3607764

Date: 29-11-2017

The notes on pages 11 to 31 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Share premium account	Retained earnings	Total shareholders' funds
	£000	£000	£000	£000
At 1 January 2016	2,500	10,000	72,155	84,655
Comprehensive income for the year				
Profit for the financial year	-	-	998,831	998,831
Shares issued during the year	3,000	-	(3,000)	-
Dividends paid (note 16)	-	-	(1,075,882)	(1,075,882)
Capital reduction (note 24)	(5,500)	(10,000)	15,500	-
At 31 December 2016	-	-	7,604	7,604

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

	Called up share capital	Share premium account	Retained earnings	Total shareholders' funds
	£000	£000	£000	£000
At 1 January 2015	2,500	10,000	71,855	84,355
Comprehensive income for the year				
Profit for the financial year	-	-	36,451	36,451
Credit in respect of share-based payments	-	-	578	578
Tax charge relating to share option scheme	-	-	271	271
Dividends paid	-	-	(37,000)	(37,000)
At 31 December 2015	2,500	10,000	72,155	84,655

The notes on pages 11 to 31 form part of these financial statements.

1. General information

The Company is a private company limited by share capital incorporated and domiciled in London, United Kingdom.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

2. Registered address

The address of the registered office is given on the Company information page.

3. 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 the years presented, unless otherwise stated.

3.1 Basis of preparation of financial statements

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2016 the Company has undergone transition from International Financial Reporting Standards ("IFRS") and IFRIC interpretations applicable to companies reporting under IFRS, to FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 as issued by the Financial Reporting Council. The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006.

Information on the impact first-time adoption of FRS 101 is given in note 31.

The preparation of financial statements in compliance with FRS 101 requires the use of certain *critical accounting estimates. It also requires management to exercise judgment in applying the* Company's accounting policies (see note 4).

First time application of FRS 101

In the current year the Company has adopted FRS 101. In previous years the financial statements were prepared in accordance with IFRS and IFRIC interpretations applicable to companies reporting under IFRS. This change in the basis of preparation has not materially altered the recognition and measurement requirements previously applied in accordance with IFRS. Consequently, the principal accounting policies are unchanged from the prior year. The change in basis of preparation has enabled the entity to take advantage of all of the available disclosure exemptions permitted by FRS 101 in the financial statements, the most significant of which are summarized below. There have been no other material amendments to the disclosure requirements previously applied in accordance with IFRS.

3. Summary of significant accounting policies (continued)

3.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- standards not yet effective

3.3 New standards, amendments and IFRIC Interpretations

No new accounting standards or amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2016, have had a material impact on the Company.

3.4 Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

3.5 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the income statement and statement of comprehensive income within 'Other finance expense'.

3. Summary of significant accounting policies (continued)

3.6 Financial assets and liabilities

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through the income statement and statement of comprehensive income) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement and statement of comprehensive income.

3.7 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.

3.8 Current and deferred tax

The charge or credit for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non discounted basis.

3.9 Tangible fixed assets

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.

3. **Summary of significant accounting policies (continued)**

3.9 Tangible fixed assets (continued)

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.

3.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

3.11 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

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

3.12 Cash and cash equivalents

Cash at bank and in hand includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

3. Summary of significant accounting policies (continued)

3.13 Finance costs

Finance costs are charged to the Income statement and Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

3.14 Interest income

Interest income is recognised in the Income Statement and Statement of Comprehensive Income using the effective interest method.

3.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

3.16 Share capital and share premium

Ordinary shares are classified as equity and consist of share capital and share premium. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis. The nominal value of shares issues is credited to the share capital account and any excess of fair value received on the issue of equity shares is credited to the share premium account.

3.17 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.

3. Summary of significant accounting policies (continued)

3.18 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.

3.19 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.

3.20 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.

4. Judgments in applying accounting policies and key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 addressed below.

a) 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.

b) 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.

c) 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.

d) 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.

5. Revenue

The Company's revenue is derived from the provision of colocation and related services. There is only one class of business.

6. Exceptional items

Exceptional items of £nil (2015: £560,000) relate to the costs of exiting a lease during 2016. Operating activity at the site ceased in 2014.

7. Operating profit

The operating profit is stated after charging:

	2016 £000	*2015 £000*
Operating leases	**8,096**	*17,614*
Real estate property tax	**4,028**	*5,440*
Depreciation of tangible fixed assets (note 17)	**14,122**	*19,955*
Foreign exchange difference	**(9)**	*127*

8. Interest receivable and similar income

	2016 £000	*2015 £000*
Bank and other interest	**15**	*4*

9. Interest payable and similar charges

	2016 £000	*2015 £000*
Interest payable on loans from group undertakings	**2,717**	*4,469*
Interest payable on financial leases	**321**	*575*
Other interest payable	**60**	*33*
Less interest capitalised	**-**	*(1,005)*
	3,098	*4,072*

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% in 2015.

10. Other non-operating income

	2016 £000	*2015 £000*
Gain on disposal of trade and tangible assets	**972,211**	*-*
	972,211	*-*

10. Other non-operating income (continued)

On 1 April 2016 the Company disposed four of its datacenters to TelecityGroup UK LON Limited for a price of £327 million realising a gain of approximately £309 million.

On 1 October 2016 the Company disposed of its remaining assets to three companies within the Equinix group, Equinix (Services) UK Limited, Equinix (UK) Enterprises Limited and Equinix (UK) Limited. The total consideration received for these remaining assets and liabilities was £876 million realising a gain of approximately £663 million.

11. Other finance expenses

	2016 £000	*2015 £000*
Foreign exchange loss on cash balances	-	*(1)*
	-	*(1)*

12. Employees

	2016 £000	*2015 £000*
Wages and salaries	8,379	*14,246*
Social security costs	937	*1,708*
Pension payments-defined contribution plans	211	*357*
Share based payments	579	*578*
	10,106	*16,889*

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	*2015 No.*
Operations	107	*202*
Sales and marketing	25	*38*
Administration	68	*33*
	200	*273*

13. Directors' remuneration

The directors' emoluments in total and the emoluments of the highest paid director were as follows:

	2016 £000	2015 £000
Salaries and benefits	921	573
Pension cost- defined contribution plans	8	16
	929	589

One director received remuneration from the Company in the year (2015:1). The remuneration of the three other directors was borne by Telecity Group International Limited, Equinix (UK) Limited and Equinix (EMEA) B.V. directly employing each of the directors and was not apportioned to the Company. The services of these directors to the Company do not occupy a significant amount of their time. As such the directors do not consider that they have received any remuneration for their incidental services to the Company for each period.

Post-employment benefits comprise contributions to defined contribution pension schemes. Retirement benefits are accruing from the Company for one of the directors (2015: 1).

14. Auditors' remuneration

Auditors' remuneration of £48,000 (2015: £51,000) for the audit of the Company was borne by another Group company.

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group financial statements of the ultimate parent company.

15. Tax on profit

	2016 £000	2015 £000
Corporation tax		
Current tax on profits for the year	(8,245)	7,727
Total current tax	(8,245)	7,727
Deferred tax	-	(233)
Total deferred tax	-	(233)
Taxation on (loss)/profit on ordinary activities	(8,245)	7,494

15. Tax on profit (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2015 - lower than)* the standard rate of corporation tax in the UK of 20% *(2015 - 20.25%)*. The differences are explained below:

	2016	*2015*
	£000	*£000*
Profit before taxation	**990,586**	*43,945*
Profit before taxation multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	**198,117**	*8,898*
Effects of:		
Items not taken into account for tax purposes and other timing differences	**-**	*(34)*
Adjustments in respect of prior years	**(8,245)**	*(3,920)*
Group charge (relief) received from fellow group companies	**(2,823)**	*3,756*
Impact of non-deductible expenditure	**(215)**	*647*
Re-measurement of deferred tax: impact of change in the UK tax rate	**-**	*(1,853)*
Other non-operating income not subject to taxation	**(194,501)**	-
Differences arising on tax deductions for share based payments	**(578)**	-
Total tax charge for the year	**(8,245)**	*7,494*

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016.

16. Dividends

	2016 £000	*2015* *£000*
Dividends paid in total	**1,075,882**	*37,000*

On 29 July 2016, the Company declared and paid a dividend in cash of £202.0 million.

On 3 October 2016, the Company declared and paid a dividend in specie of £873.9 million which was settled through the assignment of intercompany receivables previously due to the Company.

17. Tangible fixed assets

	Leasehold improvements £000	Plant and machinery £000	Office equipment £000	Construction in progress £000	Total £000
Cost					
At 1 January 2016	65,722	185,883	30,042	55,651	337,298
Additions	905	3,618	1,624	2,969	9,116
Transfer intra group due to business sale	(66,627)	(189,501)	(31,666)	(58,620)	(346,414)
At 31 December 2016	-	-	-	-	-
Accumulated depreciation					
At 1 January 2016	18,854	57,590	4,417	-	80,861
Charge for the year	2,605	10,539	978	-	14,122
Transfer intra group due to business sale	(21,459)	(68,129)	(5,395)	-	(94,983)
At 31 December 2016	-	-	-	-	-
Net book value					
At 31 December 2016	-	-	-	-	-
At 31 December 2015	*46,868*	*128,293*	*25,625*	*55,651*	*256,437*

17. Tangible fixed assets (continued)

On 1 April 2016 the Company disposed four of its datacenters to TelecityGroup UK LON Limited for a price of £327 million realising a gain of approximately £309 million.

On 1 October 2016 the Company disposed of its remaining assets to three companies within the Equinix group, Equinix (Services) UK Limited, Equinix (UK) Enterprises Limited and Equinix (UK) Limited. The total consideration paid for these remaining assets and liabilities was £876 million realising a gain of approximately £663 million.

The transfers due to business acquisition represent the sale of tangible assets to Equinix (UK) Enterprises Limited and Equinix Services Limited (note 27).

18. Debtors

	2016 £000	2015 £000
Due after more than one year		
Rent deposit	-	262
Other receivables	-	34
	-	296

	2016 £000	2015 £000
Due within one year		
Amounts owed by group companies	9,241	7,788
Other receivables	-	245
Prepayments and accrued income	-	5,026
	9,241	13,059

Amounts owed by group undertaking are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

19. Cash at bank and in hand

	2016 £000	2015 £000
Cash at bank and in hand	-	4,979
	-	4,979

20. Creditors: Amounts falling due within one year

	2016 **£000**	*2015* *£000*
Amount owed to group undertakings	**1,637**	*20,121*
Deferred income	-	*16,297*
Liabilities held for disposal (note 27)	-	*10,909*
Dilapidations provision (note 22)	-	*960*
Current income tax liability	-	*5,594*
Borrowings	-	*5,032*
	1,637	*58,913*

21. Creditors: Amounts falling due after more than one year

	2016 **£000**	*2015* *£000*
Trade and other payables	-	*130,096*
Borrowings	-	*8,192*
Deferred income	-	*14,493*
Deferred tax liability	-	*14,828*
	-	*167,609*

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.

22. Dilapidations provision

	Dilapidations £'000
At 1 January 2016	960
Utilised	(960)
At 31 December 2016	-

The dilapidation provision related 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. Financial commitments

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £000	*2015 £000*
Land and buildings		
Not later than 1 year	**104**	*16,509*
Later than 1 year and not later than 5 years	**450**	*66,936*
Later than 5 years	**2,881**	*301,789*
	3,435	*385,234*

All lease obligations were transferred as part of the business disposal, except for one operating lease which has been retained by the Company.

24. Called up share capital

	2016 £000	*2015 £000*
Shares classified as equity		
Allotted, called up and fully paid		
1 *(2015 - 2,500,502)* Ordinary share of £1 each	-	*2,500*

Issue of share capital

On 9 September 2016, the Company allotted 3 million ordinary A shares at nominal value of £1 each for a total consideration of £1. The shares were allotted in respect of the capitalisation of a portion of the retained earnings account of the Company.

Reduction of capital

On 14 September 2016, the Company passed a resolution to reduce its capital (consisting of share capital and share premium). As a result, the share capital of the Company has been reduced by cancelling and extinguishing 5,500,502 ordinary shares of £1 each thus reducing the share capital to 1 ordinary share with nominal value £1. The share premium account has been cancelled and the amount of £10.0 million has been transferred to retained earnings.

25. 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.

26. Share based payments

In the prior year, Telecity Group Limited, an intermediate parent entity, issued equity-settled share based payments to certain employees under the terms of long term incentive plans ("Telecity Group Limited Incentive Plan"). Subsequent to the completion of the acquisition of Telecity Group Limited and its subsidiaries by Equinix (UK) Acquisition Enterprises Limited, the plan was then replaced with Equinix Inc., Incentive Plan.

Equinix Inc. Incentive Plan

The Equinix Incentive Plan was introduced by Equinix, Inc. in the year 2000 and modified in 2001. These plans allow a committee of the Board of Equinix, Inc. to award Share options, Share Appreciation Rights and Restricted Stock Units (RSUs). No Share Appreciation rights are awarded to employees of the Company.

Employees of the Company are also eligible to participate in Equinix, Inc.'s 2004 Employee Share Purchase Plan (ESPP), which allows them to purchase shares in Equinix Inc. at a discounted price.

All outstanding options and awards granted to the Company's employees under the Share Option Plan and the Long Term Incentive Plan (LTIP) scheme over shares of Telecity Group plc were settled or replaced or cancelled at the date the group was acquired by Equinix, Inc.

During 2016, the remaining options and awards were cancelled and the Company issued replacement awards equal to the fair value of the cancelled options and awards in the form of Equinix RSUs. The replacement awards were granted starting 25 February 2016 and are included in the additions listed below.

The share compensation charge is analysed as follows:

	2016	*2015*
Charge to Statement of comprehensive income		
Restricted stock units	**579**	*578*

Restricted Stock Units (RSUs) in Equinix, Inc.

Restricted stock units are granted to key employees and these equity awards generally have only a service condition. Restricted stock units are also granted to executives and these awards generally have a service and performance condition or a service and market condition. To date, any performance conditions contained in an equity award are tied to the financial performance of Equinix, Inc. or a specific region of Equinix, Inc. The probability of meeting these performance conditions are assessed on a quarterly basis. The majority of the equity awards vest over four years, although certain equity awards for executives vest over a range of two to four years.

The valuation of restricted stock units with only a service condition or a service and performance condition requires no significant assumptions as the fair value for these types of equity awards is based solely on the fair value of the Equinix, Inc. stock price on the date of grant. A Monte Carlo simulation option pricing model is used to determine the fair value of restricted stock units with a service and market condition.

26. Share based payments (continued)

During the year the Company transferred its trade and assets including its employees to group companies. As a result, there are no RSU's outstanding at 31 December 2016.

Movements in RSUs during 2016 and 2015 are reconciled as follows:

	2016 **£000**	*2015* *£000*
RSUs Outstanding at 31 December	**510**	*662*
RSUs granted	**-**	*64*
RSUs released	**(510)**	*(216)*
RSUs Outstanding at 31 December	**-**	*510*

The weighted average contractual life of RSUs outstanding at year end was nil months.

27. Transfer of assets and liabilities due to business sale

On 15 January 2016, the entire share capital of Telecity Group Limited was acquired by Equinix, Inc. The acquisition required clearance from the European Commission, to obtain this clearance it was 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 sold these assets and liabilities to TelecityGroup UK LON Limited, a company also wholly owned by TelecityGroup International Limited (note 17 and note 20).

Assets and liabilities held for sale

	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**

27. Transfer of assets and liabilities due to business sale (continued)

On 1 October 2016, the Company transferred its support employees and related liabilities to Equinix (Services) Limited for an amount of £52,000 which was settled in cash. There was no loss or gain arising from the transaction.

Assets and liabilities sold:

	Net book value £000
Tangible assets	-
Employee liabilities	(52)
Net assets/(liabilities)	(52)
Satisfied by	
Cash	(52)
Surplus arising from sale	-

On 1 October 2016, the Company sold its assets and liabilities relating to managed services contracts to Equinix (UK) Enterprises Limited. The total value of this transaction was £2.3 million and was settled via an intercompany receivable loan note equal to the sales price. There was no loss or gain arising from the transaction.

	Net book value £000
Tangible Assets	2,404
Creditors	(75)
Net assets	2,329
Satisfied by	
Intercompany receivable	2,329
Surplus arising from sale	-

27. Transfer of assets and liabilities due to business sale (continued)

On 1 October 2016, the Company sold all its assets and liabilities to Equinix (UK) Limited for an amount of £873.7 million. This transaction excludes the transactions with Equinix (Services) Limited and Equinix (UK) Enterprises Limited mentioned above. It also excludes an operational lease commitment disclosed in note 23. The transaction was settled via an intercompany receivable loan note equal to the sales price.

Assets and liabilities sold:

	Net book value £000
Tangible fixed assets	226,410
Debtors	26,066
Cash at bank and in hand	6,949
Creditors	(48,477)
Net assets	210,948
Satisfied by	
Intercompany receivable	873,702
Surplus arising from sale	662,754

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 2016 amounted to £nil (2015: £5.7 million)

29. Post balance sheet events

There were no events occurring after the balance sheet date that required disclosure, or adjustment to the financial statements of the Company.

30. Immediate and ultimate parent company

The immediate parent company is TelecityGroup International Limited, a company incorporated in the United Kingdom, with registered office Masters House, 107 Hammersmith Road, London, W14 OQH. The ultimate parent undertaking and controlling party is Equinix, Inc., a company incorporated in the United States of America.

Equinix, Inc. is the parent of the smallest and largest group in which the results of the Company are consolidated. Financial statements of Equinix, Inc. are available from: One Lagoon Drive, Redwood City, CA 94065, USA.

31. First time adoption of FRS 101

This is the first year that the Company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The last financial statements under IFRS were for the year ended 31 December 2015 and the date of transition to FRS 101 was therefore 1 January 2015. However, upon transition, no material adjustments were identified.