

# CB01

## Notice of a cross border merger involving a UK registered company



Companies House

☒ **What this form is for**  
You may use this form  
to give notice of a cross border  
merger between two or more  
limited companies (including a  
UK registered company).

☐ **What this form is NOT for**  
You cannot use this form to  
notice of a cross border merger  
between companies outside the  
European Economic Area (EEA).

TUESDAY



LD2 \*L7JKY3FC\* #12  
27/11/2018  
COMPANIES HOUSE

### Part 1 Company details

Company number of  
UK merging company 0 3 6 0 7 7 6 4

Company name in  
full of UK merging  
company TELECITYGROUP UK LIMITED

→ **Filling in this form**  
Please complete in typescript, or in  
bold black capitals.

All fields are mandatory unless  
specified or indicated by \*

### Part 2 Merging companies

Please use **Section A1** and **Section B1** to fill in the details for each merging  
company (including UK companies). Please use a CB01 continuation page to  
enter the details of additional merging companies.

#### A1 Merging company details <sup>1</sup>

Full company name TELECITYGROUP UK LIMITED

Registered number <sup>2</sup> 0 3 6 0 7 7 6 4

Please enter the registered office address.

Building name/number Masters House

Street 107 Hammersmith Road

Post town London

County/Region

Postcode W 1 4 0 Q H

Country England

Legal form  
and law <sup>3</sup> Private limited company

Incorporated under the laws of England and Wales

Member state and  
registry <sup>4</sup>

#### <sup>1</sup> Merging Company details

Please use Section B1 to enter  
the details of the second merging  
company.

#### <sup>2</sup> Registered number

Please give the registered number  
as it appears in the member  
state registry.

#### <sup>3</sup> Legal entity and governing law

Please enter the legal form and law  
which applies to the company.

#### <sup>4</sup> Member state and registry

For non-UK companies, please enter  
the name and address of the registry  
where documents are kept.

# CB01

Notice of a cross border merger involving a UK registered company

B1 Merging company details <sup>①</sup>	
Full company name	EQUINIX (EMEA) ACQUISITION ENTERPRISES B.V.
Registered number <sup>②</sup>	6 3 3 3 2 2 4 8 Please enter the registered office address.
Building name/number	Rembrandt Tower 7th Floor
Street	Amstelplein 1
Post town	Amsterdam
County/Region	
Postcode	1 0 9 6 H A
Country	The Netherlands
Legal form and law <sup>③</sup>	Private limited company Incorporated under the laws of the Netherlands
Member state and registry <sup>④</sup>	The Netherlands, Trade Register of the Chamber of Commerce, de Ruijterkade 5, 1013 AA Amsterdam

- ① Merging Company details**  
Please use a CB01 continuation page to enter the details of additional merging companies.
- ② Registered number**  
Please give the registered number as it appears in the member state registry.
- ③ Legal entity and governing law**  
Please enter the legal form and law which applies to the company.
- ④ Member state and registry**  
For non-UK companies, please enter the name of the member state and the name and address of the registry where documents are kept.

## Part 3 Details of meetings<sup>⑤</sup>

If applicable, please enter the date, time and place of every meeting summoned under regulation 11 (power of court to summon meeting of members or creditors).

Details of meeting	
Date	d d m m y y y y
Time	
Place	

Details of meeting	
Date	d d m m y y y y
Time	
Place	

Details of meeting	
Date	d d m m y y y y
Time	
Place	

Details of meeting	
Date	d d m m y y y y
Time	
Place	

- ⑤ Details of meetings**  
For additional meetings held under regulation 11, please use a CB01 continuation page.

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Notice of a cross border merger involving a UK registered company

## Part 4 Terms of merger and court orders

### C1 Terms of merger

You must either:

- enclose a copy of the draft terms of merger;
- or,
- give details (below) of a website on which the draft terms are available. ❶

Website address


#### ❶ Draft terms of merger on a website

In order to be able to give notice of draft terms of merger on a website, the following conditions must be met:

- the website is maintained by or on behalf of the UK merging company;
- The website identifies the UK merging company;
- no fee is required to access the draft terms of merger;
- the draft terms of merger remain available on the website throughout the period beginning one month before and ending on the date of the first meeting of members.

### C2 Court orders

If applicable, you must enclose a copy of any court order made where the court has summoned a meeting of members or creditors.

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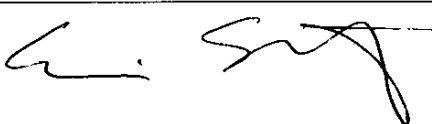
## Part 5 Signature

### D1 Signature

I am signing this form on behalf of the UK merging company.

Signature

Signature

X  X

This form may be signed by a director of the UK merging company on behalf of the Board.

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**Presenter information**

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name **AJXF**Company name **Baker McKenzie**Address **100 New Bridge Street**Post town **London**

County/Region

Postcode **E C 4 V 6 J A**Country **England**

DX

Telephone **020 7919 1000****Checklist**

**We may return forms completed incorrectly or with information missing.**

**Please make sure you have remembered the following:**

- ☐ The company name and number of the UK merging company match the information held on the public Register.
- ☐ You have completed the details of each merging company in Part 2.
- ☐ You have completed Part 3.
- ☐ You have completed Part 4 (if applicable).
- ☐ You have enclosed the relevant documents.
- ☐ You have signed the form in Part 5.

**Important information**

**Please note that all information on this form will appear on the public record.**

**Where to send**

**You may return this form to any Companies House address, however for expediency we advise you to return it to the appropriate address below:**

**For companies registered in England and Wales:**

*The Registrar of Companies, Companies House,  
Crown Way, Cardiff, Wales, CF14 3UZ.  
DX 33050 Cardiff.*

**For companies registered in Scotland:**

*The Registrar of Companies, Companies House,  
Fourth floor, Edinburgh Quay 2,  
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.  
DX ED235 Edinburgh 1  
or LP - 4 Edinburgh 2 (Legal Post).*

**For companies registered in Northern Ireland:**

*The Registrar of Companies, Companies House,  
Second Floor, The Linenhall, 32-38 Linenhall Street,  
Belfast, Northern Ireland, BT2 8BG.  
DX 481 N.R. Belfast 1.*

**Further information**

For further information, please see the guidance notes on the website at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk) or email [enquiries@companieshouse.gov.uk](mailto:enquiries@companieshouse.gov.uk)

**This form is available in an alternative format. Please visit the forms page on the website at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)**

**CROSS BORDER MERGER**

between

**EQUINIX (EMEA) ACQUISITION ENTERPRISES B.V.**

and

**TELECITYGROUP UK LIMITED**

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**COMMON DRAFT TERMS**

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**THESE COMMON DRAFT TERMS OF MERGER**, dated 26 November 2018, are made by the boards of directors of

- (1) **Equinix (EMEA) Acquisition Enterprises B.V.**, a private company with limited liability incorporated under the laws of the Netherlands, having its corporate seat in Amsterdam, the Netherlands and registered with the Chamber of Commerce with registered number 63332248 and having its registered office at Amstelplein 1, Rembrandt Tower 7th Floor, 1096 HA Amsterdam, the Netherlands ("**Equinix Holdco**")

**AND**

- (2) **TelecityGroup UK Limited**, a private limited company incorporated under the laws of England and Wales, with registered number 03607764 and having its registered office at Masters House, 107 Hammersmith Road, London, United Kingdom, W14 0QH ("**TelecityGroup UK**")

**PURSUANT TO** the provisions of the Dutch Regulations (as defined below) and the provisions of the UK Regulations (as defined below).

## **1. INTERPRETATION**

### **1.1 Definitions**

In these Common Draft Terms unless the context otherwise requires or unless otherwise specified:

**"Assets"** means all assets held by TelecityGroup UK as at the Effective Date;

**"Business Day"** means a day (other than a Saturday or Sunday) on which clearing banks are generally open for business in the Netherlands and the UK;

**"Chamber of Commerce"** means the Dutch Trade Register of the Chamber of Commerce;

**"Contracts"** means all agreements and arrangements (whether or not having contractual status or effect) to which TelecityGroup UK is a party as at the Effective Date;

**"Cross-Border Merger"** means a merger of a national limited liability company with a limited liability company from another Member State, as provided for by the Directive;

**"Directive"** means Directive (EU) 2017/1132 of the European Parliament and of the Council of 14 June 2017 on cross-border mergers of limited liability companies;

**"Disappearing Company"** means TelecityGroup UK being the Merging Company which will cease to exist as a result of the Merger;

**"Dutch Court"** means the Court of Amsterdam;

**"Dutch Regulations"** means the Dutch Civil Code, in particular Title 7, section 2, 3 and 3A of Book 2 of the Dutch Civil Code;

**"Effective Date"** means the day after the execution of the Notarial Deed of Merger, anticipated to be 15 March 2019;

**"English Pre-Merger Certificate"** means the certificate to be granted by the UK Court attesting to the proper completion of the Pre-Merger Acts and Formalities, as provided for by Regulation 6 of the UK Regulations;

**"Equinix Management"** means Equinix (EMEA) Management, Inc., a corporation incorporated under the laws of the state of Delaware, United States, having its registered office at 3411 Silverside Road, #104 Rodney Building, Wilmington, DE19810, Delaware, USA;

**"General Meeting of Equinix Holdco"** means the meeting to be held by the Shareholder of Equinix Holdco in order to resolve to merge in accordance with Article 2:330 of the Dutch Regulations;

**"Independent Expert Report"** means a report prepared by an independent expert, which shall evaluate the proposed Merger, as provided for by Article 2:328 and 2:333g of the Dutch Regulations and Regulation 9 of the UK Regulations;

**"Liabilities"** means all the liabilities of TelecityGroup UK existing at the Effective Date;

**"Merger"** means the Cross-Border Merger, by absorption of a wholly-owned subsidiary, of TelecityGroup UK into Equinix Holdco, under the terms and conditions set forth in these Common Draft Terms, by which the Assets and Liabilities of TelecityGroup UK shall pass to Equinix Holdco and TelecityGroup UK will be dissolved without going into liquidation;

**"Merger Reports"** means the reports prepared by the directors of Equinix Holdco and TelecityGroup UK intended for the Shareholders and the employee representatives explaining and justifying the legal, economic and social aspects of the Merger and explaining the implications of the Merger for Shareholders, creditors and employees of the Merging Companies, as provided for by Article 2:313 of the Dutch Regulations and Regulation 8 of the UK Regulations;

**"Merging Companies"** means Equinix Holdco and TelecityGroup UK, and **"Merging Company"** shall be construed accordingly as the context requires;

**"Notarial Deed of Merger"** means the notarial deed of merger to be executed by a Dutch notary, one day after which the Merger will become effective;

**"Pre-Merger Acts and Formalities"** means those requirements set out in Articles 123 to 126 inclusive of the Directive, and more particularly provided for in clause 6 of these Common Draft Terms;

**"Resulting Company"** means Equinix Holdco following the Merger;

**"Shareholder(s)"** means:

- (a) the sole shareholder of Equinix Holdco at the Effective Date, being Equinix Management; and
- (b) the sole shareholder of TelecityGroup UK at the date of the execution of the Notarial Deed of Merger, one day after which the Merger will become effective, being Equinix Holdco,

and includes any person(s) entitled by transmission;

**"UK Court"** means the High Court of England and Wales;

**"UK Court Hearing"** shall have the meaning ascribed to it in clause 6.7 of these Common Draft Terms;



**"UK Registrar"** means the Registrar of Companies for England and Wales; and

**"UK Regulations"** means the Companies (Cross-Border Mergers) Regulations 2007.

## 1.2 Interpretation Generally

In these Common Draft Terms, unless the context otherwise requires or unless otherwise specified:

- (a) any reference to any statute, statutory provision or to any order or regulation shall be construed as a reference to that statute, provision, order or regulation as extended, modified, amended, replaced or re-enacted from time to time (whether before or after the date of these Common Draft Terms) and all statutory instruments, regulations and orders from time to time made thereunder or deriving validity therefrom (whether before or after the date of these Common Draft Terms);
- (b) words denoting any gender include all genders and words denoting the singular include the plural and vice versa;
- (c) all references to recitals, sections, clauses, paragraphs, schedules and annexures are to recitals in, sections, clauses and paragraphs of and schedules and annexures to these Common Draft Terms;
- (d) headings are for convenience only and shall not affect the interpretation of these Common Draft Terms;
- (e) words such as "hereunder", "hereto", "hereof" and "herein" and other words commencing with "here" shall unless the context clearly indicates to the contrary refer to the whole of these Common Draft Terms and not to any particular section, clause or paragraph hereof;
- (f) in construing these Common Draft Terms general words introduced by the word "other" shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things and general words shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words and any reference to the word "include" or "including" is to be construed without limitation;
- (g) any reference to "Common Draft Terms" or any other document or to any specified provision of these Common Draft Terms or any other document is to these Common Draft Terms, that document or that provision as in force for the time being and as amended from time to time in accordance with the terms of these Common Draft Terms or that document;
- (h) "writing" or any similar expression includes transmission by fax or by email;
- (i) any reference to a document being in the "agreed form" means in relation to that document the draft of that document which has been initialled by each of the Merging Companies or by their respective solicitors on their behalf by way of identification; and
- (j) if any action or duty to be taken or performed under any of the provisions of these Common Draft Terms would fall to be taken or performed on a day

which is not a Business Day such action or duty shall be taken or performed on the Business Day next following such day.

### 1.3 Schedules

The contents of the Schedules form an integral part of these Common Draft Terms and shall have as full effect as if they were incorporated in the body of these Common Draft Terms and the expressions "these Common Draft Terms" and "the Common Draft Terms" as used in any of the Schedules shall mean these Common Draft Terms and any reference to "these Common Draft Terms" shall be deemed to include the Schedules.

## 2. **PRELIMINARY**

### 2.1 Equinix Holdco

- (a) Equinix Holdco is a private company with limited liability incorporated under and governed by the laws of the Netherlands on 18 May 2015 with registered number 63332248 having its corporate seat in Amsterdam, the Netherlands and with registered office at Amstelplein 1, Rembrandt Tower 7th floor, 1096 HA Amsterdam, the Netherlands. The issued share capital of Equinix Holdco is USD 1, divided into 1 share of USD 1, which is fully paid. No depositary receipt has been issued for this share and this share has not been encumbered with any usufruct or right of pledge.
- (b) According to the shareholders register of Equinix Holdco, as of the date of these Common Draft Terms, the sole shareholder of Equinix Holdco is Equinix Management.
- (c) The sole director of Equinix Holdco is Eric Charles Schwartz. No supervisory board or any other supervisory body is installed at Equinix Holdco.
- (d) Equinix Holdco shall participate in the Merger as the Resulting Company, as such term is employed and translated in the relevant provisions of the Dutch Regulations and the UK Regulations, which implement the provisions of the Directive into Dutch and English law, respectively.

### 2.2 TelecityGroup UK

- (a) TelecityGroup UK is a private limited company incorporated under and governed by the laws of England and Wales on 31 July 1998 with registered number 03607764 and having its registered office at Masters House, 107 Hammersmith Road, London, United Kingdom, W14 0QH. The issued share capital of TelecityGroup UK is GBP 1.00 divided into one ordinary share of GBP 1.00 which is fully paid. No depositary receipt has been issued for this share and this share has not been encumbered with any usufruct or right of pledge.
- (b) According to the register of shareholders of TelecityGroup UK, as of the date of these Common Draft Terms, the sole shareholder of TelecityGroup UK is TelecityGroup International Limited ("**Telecity International**").
- (c) Eric Charles Schwartz and Russell Alan Poole are the current directors of TelecityGroup UK. No supervisory board or any other supervisory body is installed at TelecityGroup UK.

- (d) TelecityGroup UK shall participate in the Merger as the Disappearing Company, as such term is employed and translated in the relevant provisions of the UK Regulations and the Dutch Regulations, which implement the provisions of the Directive into Dutch and English law, respectively.
- 2.3 Neither of the Merging Companies is subject to any bankruptcy or insolvency procedure, has *granted a suspension of payments or is in liquidation*.
- 2.4 Purpose of the Merger
  - (a) The purpose of the Merger is to:
    - (i) integrate TelecityGroup UK and Equinix Holdco into one legal entity;
    - (ii) simplify and rationalise the corporate structure of the group of companies owned by Equinix, Inc, a corporation incorporated under the laws of the state of Delaware, United States (the "**Equinix Group**"): following the Merger, additional steps are being taken to *simplify and rationalise the corporate structure of the Equinix Group* as detailed in paragraphs (f) to (j) below;
    - (iii) create a more transparent group structure: as a result of the Merger, the internal decision making, organization and reporting and control systems of the Equinix Group will be more efficiently and transparently organised and managed; and
    - (iv) improve administrative simplification: the Merger will simplify the administrative, corporate and financial organisation of the Equinix Group, which will result in cost and time savings.
  - (b) Prior to the Merger, it is proposed that Equinix Holdco's wholly-owned subsidiary, Equinix (UK) Acquisition Enterprises Limited ("**Equinix UK**") will merge into Equinix Holdco by way of cross-border merger pursuant to the UK Regulations and the Dutch Regulations, as provided for in a separate application to the UK Court and in common draft terms of merger, in substantially the same form as these Common Draft Terms, between Acquisition UK and Equinix Holdco (the "**First Merger**").
  - (c) Following the First Merger and prior to the Merger, it is proposed that Equinix UK's wholly-owned subsidiary, Telecity Group Limited ("**Telecity Group**") will merge into Equinix Holdco by way of cross-border merger pursuant to the UK Regulations and the Dutch Regulations, as provided for in a separate application to the UK Court and in common draft terms of merger, in substantially the same form as these Common Draft Terms, between Telecity Group and Equinix Holdco (the "**Second Merger**").
  - (d) Following the Second Merger and prior to the Merger, it is proposed that Telecity Group's wholly-owned subsidiary, TelecityGroup Investments Limited ("**Telecity Investments**") will merge into Equinix Holdco by way of cross-border merger pursuant to the UK Regulations and the Dutch Regulations, as provided for in a separate application to the UK Court and in common draft terms of merger, in substantially the same form as these Common Draft Terms, between Telecity Investments and Equinix Holdco (the "**Third Merger**").

- (e) Following the Third Merger and prior to the Merger, it is proposed that Telecity Investment's wholly-owned subsidiary, Telecity International, will merge into Equinix Holdco by way of cross-border merger pursuant to the UK Regulations and the Dutch Regulations, as provided for in a separate application to the UK Court and in common draft terms of merger, in substantially the same form as these Common Draft Terms, between Telecity International and Equinix Holdco (the "**Fourth Merger**").
- (f) Following the Fourth Merger and at the Effective Date, TelecityGroup UK will merge into Equinix Holdco in accordance with the terms and conditions set forth in these Common Draft Terms, with Equinix Holdco being the Resulting Company.
- (g) Following the Merger, it is proposed that Telecity International's wholly-owned subsidiary, TelecityGroup Holdings Limited ("**Telecity Holdings**") will merge into Equinix Holdco by way of cross-border merger pursuant to the UK Regulations and the Dutch Regulations, as provided for in a separate application to the UK Court and in common draft terms of merger, in substantially the same form as these Common Draft Terms, between Telecity Holdings and Equinix Holdco (the "**Sixth Merger**").
- (h) As a consequence of the Merger, the ownership, title and the possession of the Assets and Liabilities will pass to Equinix Holdco by operation of law by operation of the Directive, the Dutch Regulations and the UK Regulations at the Effective Date. Equinix Holdco will become entitled to the Assets of TelecityGroup UK and shall assume, carry out, perform and complete the Liabilities of TelecityGroup UK from the Effective Date. All other rights and obligations of TelecityGroup UK shall pass from TelecityGroup UK to Equinix Holdco at the Effective Date.
- (i) Following the completion of the Merger, TelecityGroup UK will automatically cease to exist.
- (j) Each Merging Company shall do, sign or execute, or procure to be done, signed or executed all such other acts, deeds, documents and things as may be necessary or desirable in respect of the Merger and the transfer of the Assets and Liabilities to Equinix Holdco pursuant to these Common Draft Terms.

## 2.5 Merger by Absorption of a Wholly-Owned Subsidiary

- (a) It is proposed that the Merger shall be implemented as a merger by absorption of a wholly-owned subsidiary pursuant to Article 2:333 of the Dutch Regulations (merger by absorption of a wholly-owned subsidiary) and Regulation 2(3) of the UK Regulations (merger by absorption of a wholly-owned subsidiary) as Equinix Holdco will be the sole shareholder of TelecityGroup UK on the date of execution of the Notarial Deed of Merger, one day after which the Merger will become effective.
- (b) No consideration shall be paid for the transfer of the Assets and Liabilities.

## 2.6 Allotment of Shares

No shares shall be allotted by Equinix Holdco as consideration for the Merger as the Merger is a merger by absorption of a wholly-owned subsidiary carried out pursuant to Article 2:333 of the Dutch Regulations and Regulation 2(3) of the UK Regulations not requiring the allotment of shares.

### **3. ACCOUNTING**

#### **3.1 Merging Companies' Accounting Details**

- (a) The financial year of TelecityGroup UK corresponds with the calendar year. TelecityGroup UK shall use the interim management accounts as at 31 August 2018 for the purpose of the Merger as set out at Schedule 1. TelecityGroup UK was incorporated on 31 July 1998 and has filed accounts made up to 31 December 2017 with the UK Registrar.
- (b) The financial year of Equinix Holdco corresponds with the calendar year. Equinix Holdco shall use the interim management accounts as at 31 August 2018 for the purpose of the Merger as set out at Schedule 2. Equinix Holdco was incorporated on 18 May 2015 and has filed adopted annual accounts made up to 31 December 2017 with the Chamber of Commerce.

#### **3.2 Evaluation of the Assets and Liabilities**

The evaluation of the Assets and Liabilities of TelecityGroup UK will be made as at their book values in the interim balance sheet of TelecityGroup UK drawn up as at 31 August 2018 and included at Schedule 1 of these Common Draft Terms.

The Merger will have no effect on the goodwill and a positive effect on the distributable reserves of the Resulting Company.

#### **3.3 Date from which the transactions of Disappearing Company are treated as those of Resulting Company.**

The transactions of TelecityGroup UK will be treated for legal purposes as being those of Equinix Holdco from the Effective Date

The transactions of TelecityGroup UK will be treated for accounting purposes as being those of Equinix Holdco from 00:01 on 1 January 2019.

### **4. RESULTING COMPANY**

#### **4.1 Special Rights Conferred by Equinix Holdco**

Equinix Holdco is the sole shareholder of the Disappearing Company at the date of the execution of the Notarial Deed of Merger. There are no parties who, in a capacity other than shareholder, enjoy special rights or hold securities as referred to in Article 2:320 of the Dutch Regulations, such as a right to profit distributions or the right to subscribe for shares. Consequently no special rights chargeable to Equinix Holdco need to be granted to such parties as a result of the Merger. No share is to be allotted as consideration for the Merger.

No special treatment is granted to any class of shares or shareholders of the Merging Companies. None of the Merging Companies have special classes of shares. None of the Merging Companies have issued bonds.

#### **4.2 Independent Expert Report**

Pursuant to Article 2:333 of the Dutch Regulations and Regulation 9(1)(a) of the UK Regulations, there is no requirement to obtain an Independent Expert Report where the Merger is a merger by absorption of a wholly-owned subsidiary. In any event, Equinix Holdco as sole shareholder of TelecityGroup UK at the date of the execution of the Notarial

Deed of Merger will unanimously waive any Independent Expert Report that may be required under the Merger.

4.3 No Advantages Granted to Experts or Directors of the Merging Companies

No special advantages, amounts or benefits will be granted, paid or given or are intended to be granted, paid or given to any directors, supervisory board members, or managers of the Merging Companies nor to any auditors or independent experts assisting with the Merger. It is intended that the board of Directors of the Resulting Company will not be changed after the Merger.

4.4 Composition of the board of managing directors

The Merging Companies do not intend to change the composition of the board of managing directors of the Resulting Company as part of the Merger.

4.5 Proposal for the amount of compensation of minority shareholders

Since Equinix Holdco is the sole shareholder of the Disappearing Company at the date of the execution of the Notarial Deed of Merger, no proposal for compensation as referred to in Article 2:333d under f of the Dutch Regulations is made.

4.6 Transmission of subsidiaries

As a result of the Merger, Equinix Holdco will acquire all assets and liabilities of TelecityGroup UK by universal title, including but not limited to, the shares in the capital of any subsidiaries of TelecityGroup UK. As at the Effective Date, TelecityGroup UK shall not have any subsidiaries.

4.7 Statutes

The articles of association of Equinix Holdco are attached at Schedule 5 to these Common Draft Terms. The articles of association of Equinix Holdco will not be amended in connection with the Merger. The articles of association of Equinix Holdco do not include any provisions regarding the approval of the resolution of the board of managing directors to propose the Merger as referred to in Article 2:312 paragraph 2 under i. of the Dutch Regulations.

5. **EMPLOYEES**

5.1 Repercussions on Employment

- (a) Neither Equinix Holdco nor TelecityGroup UK employ any employees.
- (b) It is not anticipated that the Merger will have any negative impact on employment in the Merging Companies.

5.2 Employee Involvement

- (a) Neither of the Merging Companies has a system of employee participation in force to the effect that the employees and/or their representative body and/or their representatives have the right to elect or appoint a number of members of the board of managing directors, or the right to recommend or oppose the appointment of a number of members of the board of managing directors. Accordingly, Part 4 of the UK Regulations shall not apply.

- (b) Since neither of the Merging Companies has employees, no written advice or comments have been submitted to any of the Merging Companies by a works council or participation council of any of the Merging Companies.

## 6. PRE-MERGER PROCEDURE

### 6.1 Filing

The director of Equinix Holdco shall file these Common Draft Terms with the Chamber of Commerce at least one month before the General Meeting of Equinix Holdco. The directors of TelecityGroup UK shall file these Common Draft Terms with the UK Registrar at least two months before the UK Court Hearing.

### 6.2 Publication

- (a) TelecityGroup UK shall deliver to the UK Registry the information required to be disclosed pursuant to Regulation 12 of the UK Regulations, for publication in the London Gazette of a notice of receipt by the UK Registry of the documents in relation to the Merger, at least one month before UK Court Hearing and such notice should include:
  - (i) the date of receipt of the documents by the UK Registry;
  - (ii) the type, name and registered office of the Merging Companies;
  - (iii) the legal form of the Merging Companies and the law by which they are governed;
  - (iv) the registered number of the Merging Companies and the particulars of the national register in which the Merging Companies' files are kept and their registration numbers in those registers;
  - (v) a statement that information relating to TelecityGroup UK is kept in the register of companies;
  - (vi) a statement that regulation 10 of the UK Regulations requires copies of the Common Draft Terms and the Merger Report to be kept available for inspection; and
  - (vii) the date, time and place of every meeting summoned under regulation 11 of the UK Regulations.
- (b) Equinix Holdco shall undertake to procure the announcement of the filing with the Chamber of Commerce of the following particulars at least one month before the General Meeting of Equinix Holdco in a Dutch daily newspaper as well as the Dutch State Gazette and such notice should include:
  - (i) the type, name and registered office of the Merging Companies;
  - (ii) the legal form of the Merging Companies and the law by which they are governed;
  - (iii) the registered numbers of the Merging Companies and the particulars of the national registers in which the Merging Companies' files are kept;

- (iv) a statement that copies of the Common Draft Terms and the Merger Report are available for inspection at TelecityGroup UK's and Equinix Holdco's registered office; and
- (v) confirmation from the Merging Companies of arrangements made for the exercise of the rights of creditors and of any minority shareholders of the Merging Companies and the addresses at which complete information on those arrangements may be obtained free of charge.

### 6.3 Inspection

The Common Draft Terms and Merger Report of each Merging Company, and all other documents required to be filed in connection with the Merger, shall be held at the respective registered offices of the Merging Companies for inspection by the Shareholder of each Merging Company for a period of at least one month before the UK Court Hearing and the General Meeting of Equinix Holdco until the date of the Merger. The Common Draft Terms and Merger Reports must be held for a further six months following the Merger at the registered address of the Resulting Company.

### 6.4 Merger Reports

- (a) The directors of TelecityGroup UK and Equinix Holdco shall draw up Merger Reports in respect of each Merging Company, which shall be made available to the Shareholders not less than one month before the date of the UK Court Hearing and not less than one month before the date of the General Meeting of Equinix Holdco.
- (b) The Merger Report for TelecityGroup UK shall set out the following information:
  - (i) the expected implications of the Merger for Shareholders, creditors and employees (if applicable) of the Merging Companies;
  - (ii) the legal, social and economic grounds for the Merger and the Common Draft Terms; and
  - (iii) any material interests of the directors and the effect on those interests of the Merger in so far as the effect is different from the effect on the like interests of other persons.
- (c) The Merger Report for Equinix Holdco shall set out the following information:
  - (i) the expected implications of the Merger for Shareholders, creditors and employees (if applicable) of the Merging Companies; and
  - (ii) the legal, social and economic grounds for the Merger and the Common Draft Terms.

### 6.5 Approval by the Shareholders



- (a) As this is a merger by absorption of a wholly owned subsidiary, in accordance with Regulation 13(3) of the UK Regulations there is no need for the Shareholder of TelecityGroup UK to approve the Merger.
- (b) A General Meeting of Equinix Holdco shall be held to approve and conclude the Merger. The minutes of such General Meeting shall be executed in the form of a Dutch notarial deed.

#### 6.6 Changes affecting the Common Draft Terms or Merger Reports

The board of directors of each of the Merging Companies is required to inform the general meetings of the Merging Companies (if applicable) of any substantial changes becoming manifest after the date of these Common Draft Terms and affecting the information herein or in the Merger Reports.

#### 6.7 Pre-Merger Certificate

Upon compliance with the Pre-Merger Acts and Formalities, TelecityGroup UK shall apply to the UK Court, for an order conclusively attesting to the proper completion of the Pre-Merger Acts and Formalities to which TelecityGroup UK was subject (the "**UK Court Hearing**"). Equinix Holdco shall apply to the Dutch Court to issue a statement of non-opposition confirming that no creditors have opposed these Common Draft Terms.

### 7. **OPERATION OF THE MERGER**

#### 7.1 Execution of Notarial Deed of Merger

Upon compliance with the Pre-Merger Acts and Formalities, the issuance of the statement of non-opposition of the Dutch Court, the issuance by the UK Court of the English Pre-Merger Certificate and the execution of the notarial minutes of the general meeting of Equinix Holdco in which the sole shareholder of the Resulting Company resolves to conclude the Merger, the Dutch civil-law notary will execute the Notarial Deed of Merger. The Merger will become effective on the day following the day of execution of the notarial deed.

#### 7.2 Entry into Effect of the Merger

At the Effective Date:

- (a) the shares held by Equinix Holdco in the capital of TelecityGroup UK shall be cancelled by operation of law;
- (b) the Assets and Liabilities of TelecityGroup UK shall pass to Equinix Holdco by operation of law;
- (c) the activities of TelecityGroup UK will be continued by Equinix Holdco; and
- (d) TelecityGroup UK shall automatically cease to exist.

#### 7.3 Registration

- (a) Equinix Holdco will register the Merger with the Trade Register of the Dutch Chamber of Commerce and file a certified copy of the Notarial Deed of Merger and the notarial declaration within eight days of the Effective Date.
- (b) Immediately after the aforementioned registration, the Trade Register of the Dutch Chamber of Commerce will notify the UK Registrar of the conclusion of the Merger

## **8. MISCELLANEOUS PROVISIONS**

### **8.1 Survival of Obligations**

The provisions of these Common Draft Terms which shall not have been performed at the Effective Date shall, to the extent possible and to the extent that this does not contravene the legal rules governing the Merger, remain in full force and effect notwithstanding the Effective Date.

### **8.2 Binding on Successors**

These Common Draft Terms shall be binding upon and enure to the benefit of the respective Merging Companies hereto and their respective personal representatives, successors and permitted assigns.

### **8.3 Variation**

No variation of these Common Draft Terms shall be valid unless it is in writing and signed by or on behalf of each of the Merging Companies hereto, or unless it is required pursuant to an order of the Dutch Court or the UK Court or other Dutch or UK authorities.

### **8.4 Announcement**

No announcement or disclosure regarding all or any part of the transactions contemplated by these Common Draft Terms shall be made by any of the Merging Companies hereto without the prior written approval of the other Merging Company save for any such announcement as is required to be made under any applicable law in which case the announcement shall be *made only after consultation with the other Merging Company and after the other Merging Company has, where practicable, been given the opportunity to approve such announcement.*

For the avoidance of doubt, the above provisions shall not apply in so far as the disclosure or announcement in relation to the Common Draft Terms is required by the Dutch Regulations or the UK Regulations for the purpose of perfecting and carrying out the Merger.

### **8.5 Whole Common Draft Terms**

These Common Draft Terms contain the whole agreement between the Merging Companies hereto relating to the transactions provided for in these Common Draft Terms and supersede all previous agreements (if any) between such Merging Companies in respect of such matters and each of the Merging Companies to these Common Draft Terms acknowledges that in agreeing to enter into these Common Draft Terms it has not relied on any representations or warranties except for those contained in these Common Draft Terms.

### **8.6 Severability**

Each of the provisions of these Common Draft Terms are separate and severable and enforceable accordingly and if at any time any provision is adjudged by any court of competent jurisdiction to be void or unenforceable the validity, legality and enforceability of the remaining provisions hereof and of that provision in any other jurisdiction shall not in any way be affected or impaired thereby.

### **8.7 Costs**

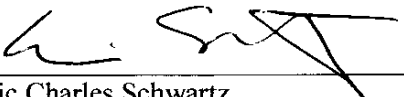
Each Merging Company hereto shall bear any costs, fees or expenses incurred by it in connection with negotiating, preparing and entering into these Common Draft Terms.

#### 8.8 Governing Law and Jurisdiction

These Common Draft Terms shall be governed by and construed in accordance with the requirements of both Book 2, Title 7 of the Dutch Regulations and the UK Regulations, which govern cross-border mergers in the Netherlands and the United Kingdom respectively. Each of the Merging Companies hereto hereby agrees that the courts of the Netherlands shall have jurisdiction to hear and determine any suit, action or proceedings that may arise out of or in connection with these Common Draft Terms and for such purposes irrevocably submits to the jurisdiction of such courts.

The directors of the Merging Companies have shown their acceptance to the terms of these Common Draft Terms by executing it below / De directeurs van de Fusierende Vennootschappen hebben de bepalingen van dit Fusievoorstel aanvaard door het Fusievoorstel hieronder te ondertekenen:

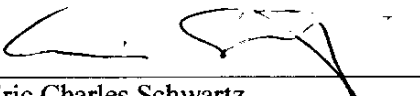
The director of / De directeur van **TELECITYGROUP UK LIMITED**

  
Eric Charles Schwartz

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Russell Alan Poole

The managing director of / De directeur van **EQUINIX (EMEA) ACQUISITION ENTERPRISES B.V.**


  
Eric Charles Schwartz

The directors of the Merging Companies have shown their acceptance to the terms of these Common Draft Terms by executing it below / De directeurs van de Fuserende Vennootschappen hebben de bepalingen van dit Fusievoorstel aanvaard door het Fusievoorstel hieronder te ondertekenen:

The director of / De directeur van **TELECITYGROUP UK LIMITED**

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Eric Charles Schwartz



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Russell Alan Poole

The managing director of / De directeur van **EQUINIX (EMEA) ACQUISITION ENTERPRISES B.V.**

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Eric Charles Schwartz

## **SCHEDULE 1**

**Interim accounts of TelecityGroup UK for the period ending 31 August 2018**

United Kingdom

TelecityGroup UK Ltd

Statement of Financial position as at 31 August 2018

	Link	Note	31/08/18 GBP	2017 GBP	2016 GBP
<b>Assets</b>					
Property, plant and equipment	A1		-	-	-
Trade and other receivables	A3		-	-	-
<b>Current assets</b>			<b>9,229,701</b>	<b>9,240,078</b>	<b>9,240,203</b>
Trade and other receivables	A5		9,220,752	9,231,073	9,240,203
Cash and cash equivalents	A10		8,949	9,006	-
Assets held for disposal	A2		-	-	-
Creditors - amounts falling due within one year	L3		-	-	-
<b>Total current assets</b>			<b>9,229,701</b>	<b>9,240,078</b>	<b>9,240,203</b>
<b>Current liabilities</b>			<b>-1,696,315</b>	<b>-1,672,822</b>	<b>-1,636,600</b>
Trade and other payables	L5		(1,636,600)	(1,636,599)	1,636,600
Deferred income	L6		-	-	-
Liabilities held for disposal	L7		-	-	-
Provisions for other liabilities and charges	L8		-	-	-
Current income tax liability	L9		(59,715)	(36,223)	-
Borrowings	L10		-	-	-
<b>Net assets</b>			<b>7,533,386</b>	<b>7,567,256</b>	<b>7,603,604</b>
<b>Equity</b>					
Share capital	M1		(1)	(1)	(1)
Share premium account	M2		(0)	(0)	(0)
Other reserve	M3		-	-	-
Retained profits	M4		(7,533,385)	(7,567,255)	(7,603,603)
Retained earnings	M6		(7,567,255)	(7,603,600)	(84,654,783)
Dividends paid	M5		-	-	1,075,881,839
<b>Profit and (loss) *</b>			<b>33,871</b>	<b>36,345</b>	<b>(998,830,659)</b>
<b>Total equity</b>			<b>(7,533,386)</b>	<b>(7,567,256)</b>	<b>(7,603,604)</b>

United Kingdom

TelecityGroup UK Ltd

Income statement for period ended

		31/08/18	31/12/2017	31/12/2016
	Link	GBP		
	Note			
Turnover	R0	0	0	(91,995,969)
Cost of sales	R1	16,615	(1)	41,622,315
<b>Gross profit</b>		<b>16,615</b>	<b>(1)</b>	<b>(50,373,654)</b>
Administrative expenses	C1	0	0	579,105
Depreciation	C2	0	0	14,122,057
Operating exceptional items	C3	0	0	0
Other administrative costs	C4	(6,237)	124	10,449,805
Sales and marketing costs	C5	0	0	3,765,179
<b>Operating profit</b>		<b>10,378</b>	<b>123</b>	<b>(21,457,508)</b>
Income from shares in group undertakings		0	0	(972,211,166)
Amounts written off investments	C11	0	0	0
Income from other fixed assets investments	C12	0	0	(972,211,166)
<b>Profit on ordinary activities before interest and taxation</b>		<b>10,378</b>	<b>123</b>	<b>(993,668,674)</b>
Finance income	C8	0	0	(15,238)
Finance costs	C9	0	0	3,097,938
Other financing items	C10	0	0	0
<b>Finance costs - net</b>		<b>0</b>	<b>0</b>	<b>3,082,700</b>
<b>Profit on ordinary activities before income tax</b>		<b>10,378</b>	<b>123</b>	<b>(990,585,974)</b>
Income tax expense on ordinary activities	P1	23,492	36,223	(8,244,664)
<b>(Profit) / loss for the year</b>		<b>33,871</b>	<b>36,345</b>	<b>(998,830,659)</b>



# Equinix (EMEA) Acquisition BV

Statement of Financial position as at		Aug 31 2018	Dec 31 2017	Dec 31 2016
	Link	Note		£
<b>Fixed assets</b>				<b>1</b>
Investments in subsidiaries	A1	1	1	1
		0	0	0
				0
<b>Current assets</b>		<b>0</b>	<b>0</b>	<b>0</b>
Amounts owing from group undertakings	A5	0	0	0
Cash and cash equivalents	A8	72,509	545,437	944
		0	0	0
<b>Creditors - amounts falling due within one year</b>	L3	-	-	-
		0	0	0
<b>Total current assets</b>		<b>72,510</b>	<b>545,438</b>	<b>944</b>
<b>Total assets less current liabilities</b>		-	-	-
		0	0	0
Amounts owing to group undertakings	L1	435,981	0	0
		0	0	0
<b>Net assets</b>		<b>508,491</b>	<b>545,438</b>	<b>945</b>
		0	0	0
<b>Equity</b>				
Ordinary shares	L4	(1)	(1)	(1)
Legal reserve (Investment in Equinix Acquisition Ltd)	L5	0	0	0
Retained earnings	L6	(545,437)	(944)	0
Dividend distribution	L7	0	163,042,579	1,100,000,000
(Profit) / loss for the year		36,947	(163,587,072)	(1,100,000,944)
<b>Total equity</b>		<b>(508,491)</b>	<b>(545,438)</b>	<b>(945)</b>

## Equinix (EMEA) Acquisition BV

### Income statement for period ended

		Aug 31 2018	Dec 31 2017	Dec 31 2016	
	Link	Note	\$	\$	\$
Dividend income	R0		0	(164,242,579)	(1,100,000,000)
Result on derivatives	R1		0	852,801	0
FX differences	R2		36,638	(197,446)	(1,266)
Other operating expenses	R3		0	0	0
<b>Operating loss</b>			36,638	(163,587,224)	(1,100,001,266)
Interest receivable and similar income	C1		0	0	0
Interest payable and similar charges	C2		0	0	0
Bank fees	C3		309	152	322
<b>Profit on ordinary activities before taxation</b>			36,947	(163,587,072)	(1,100,000,944)
Tax on profit on ordinary activities	P1		0	0	0
<b>(Profit) / loss for the year</b>			36,947	(163,587,072)	(1,100,000,944)

Registered number: 3607764

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**TELECITYGROUP UK LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

THURSDAY

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**TELECITYGROUP UK LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	Eric Schwartz Russell Poole
<b>Company secretary</b>	Anthony Hunter
<b>Registered number</b>	3607764
<b>Registered office</b>	Masters House 107 Hammersmith Road London W14 0QH
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors The Atrium 1 Harefield Road Uxbridge, Middlesex UB8 1EX

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**TÉLECITYGROUP UK LIMITED**

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**TELECITYGROUP UK LIMITED**

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**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors present their annual report and the audited financial statements of TelecityGroup UK Limited ("the Company") for the year ended 31 December 2017.

**Business review**

During 2017 the Company was not operational and no significant transactions need to be disclosed. The result for the year and the financial position of the Company are shown in the financial statements and notes on pages 6 to 20.

The loss for the year amounted to £36 thousand (2016 - profit £999 million).

**Key performance indicators ('KPIs')**

Due to the simple nature of the Company's operations as an intermediate holding company within the Equinix group, there are no key performance indicators monitored for this Company. 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.

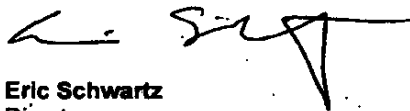
**Going concern**

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.

**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: 27/9/18

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## TELECITYGROUP UK LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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The directors present their report and the audited financial statements for the year ended 31 December 2017.

#### 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 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.

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.

#### Directors' confirmations

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.

#### Results and dividends

The loss for the financial year, amounted to £36 thousand (2016: profit £999 million).

No dividend is proposed or paid during the financial year.

#### Directors

The directors who held office throughout the year and up to the date of signing these financial statements were:

Eric Schwartz  
Russell Poole

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**TELECITYGROUP UK LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**Financial risk management**

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

**Future developments**

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.

**Post balance sheet events**

There have been no significant events affecting the Company since the year end.

**Independent 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: 27/9/18



# ***Independent auditors' report to the members of TelecityGroup UK Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, TelecityGroup UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the income statement and statement of comprehensive income, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

# ***Independent auditors' report to the members of TelecityGroup UK Limited (continued)***

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## **Reporting on other information (continued)**

### ***Strategic Report and Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## **Responsibilities for the financial statements and the audit**

### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### ***Auditors' responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### ***Use of this report***

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.

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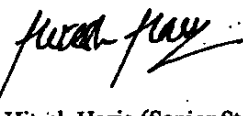
## **Other required reporting**

### **Companies Act 2006 exception reporting**

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Hitesh Haria (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Uxbridge  
27 September 2018

**TELECITYGROUP UK LIMITED**

**INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £000	2016 £000
Revenue		-	91,996
Cost of sales		-	(41,622)
<b>Gross profit</b>		-	<b>50,374</b>
Sales and marketing costs		-	(3,765)
Administrative costs		-	(25,151)
<b>Operating profit</b>	5	-	<b>21,458</b>
Interest receivable and similar income	6	-	15
Interest payable and expenses	7	-	(3,098)
Other non-operating income	8	-	972,211
<b>Profit before taxation</b>		-	<b>990,586</b>
Tax on profit	12	(36)	8,245
<b>(Loss)/profit for the financial year</b>		<b>(36)</b>	<b>998,831</b>

There was no other comprehensive income for 2017 (2016: £nil).

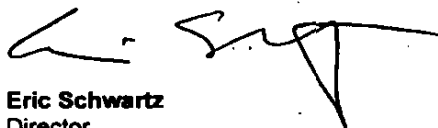
The notes on pages 9 to 20 form part of these financial statements.

**TELECITYGROUP UK LIMITED**  
**REGISTERED NUMBER: 3607764**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2017**

	Note	2017 £000	2016 £000
<b>Current assets</b>			
Debtors	13	9,232	9,241
Cash at bank and in hand	14	9	-
<b>Current liabilities</b>			
Creditors	15	(1,673)	(1,637)
<b>Total assets less current liabilities</b>		<u>7,568</u>	<u>7,604</u>
<b>Net assets</b>		<u>7,568</u>	<u>7,604</u>
<b>Capital and reserves</b>			
Called up share capital	16	-	-
Retained earnings		7,568	7,604
<b>Total shareholders' funds</b>		<u>7,568</u>	<u>7,604</u>

The financial statements on the pages 6 to 20 were approved and authorised for issue by the board and were signed on its behalf by:

  
**Eric Schwartz**  
 Director

Registered number: 3607764

Date: 27/9/18

The notes on pages 9 to 20 form part of these financial statements.

**TELECITYGROUP UK LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Retained earnings	Total shareholders' funds
	£000	£000	£000
At 1 January 2017	-	7,604	7,604
Total Comprehensive income for the year			
Loss for the financial year	-	(36)	(36)
At 31 December 2017	-	7,568	7,568

**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
Total 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	-	-	(1,075,882)	(1,075,882)
Capital reduction	(5,500)	(10,000)	15,500	-
At 31 December 2016	-	-	7,604	7,604

The notes on pages 9 to 20 form part of these financial statements.

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## TELECITYGROUP UK LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 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 financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"). The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006.

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. 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 4.

##### 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 (Key Management Compensation)
- 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

Where required, equivalent disclosures are given in the group accounts of Equinix, Inc. The group accounts of Equinix, Inc. are available to the public and can be obtained as set out in Note 20.

##### 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 2017, have had a material impact on the Company.

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**TELECITYGROUP UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**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 and Statement of Comprehensive Income, 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'.

**3.6 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.

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**TELECITYGROUP UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**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 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.

**3.10 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.

**3.11 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.

**3.12 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.

**3.13 Interest income**

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



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**TELECITYGROUP UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**3.14 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.

**3.15 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.

**3.16 Share based payments**

Where share options in the shares of the ultimate parent company (note 17) are awarded to employees, the fair value of the options at the date of grant is charged to the Income Statement and Statement of Comprehensive Income over the vesting period. Non market vesting conditions 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 recognized over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition. 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 and Statement of Comprehensive Income over the remaining vesting period. As all share options are fully vested, there is no further charge in the current year.

**Restricted stock unit plan**

The Company's ultimate parent (note 17) issues Restricted Stock Units (RSUs) to certain employees of the Company. RSUs are equity settled share based payments, measured at fair value at the date of grant. For RSUs with only a service condition or a service and performance condition, fair value is measured using the Equinix, Inc. stock price on the date of grant. For RSUs with a service and market condition, fair value is measured using a Monte Carlo simulation option pricing model. The fair value determined at the grant date of the equity settled share based payments is expensed in the financial statements of the Company on a straight line basis over the vesting period,

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**TELECITYGROUP UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**3.16 Share based payments (continued)**

based on the ultimate parent's estimate of the number of shares that will eventually vest. The charge recognized in the Income Statement and Statement of Comprehensive Income account reflects the charge from the ultimate parent calculated on this basis.

**Employee share purchase plan**

The Company's ultimate parent (note 17) operates an Employee Share Purchase Plan (ESPP) in which all employees of the Company are eligible to participate. These are equity settled share based payments made at employee election in lieu of a portion of cash compensation. The scheme permits the twice annual purchase of discounted shares in the ultimate parent, based on contributions made by employees via payroll deduction.

The Company is recharged by the ultimate parent undertaking for the undiscounted fair value of shares purchased at date of vesting. The cost to the Company of the discounted share purchase under the ESPP scheme is expensed in the financial statements of the Company on a straight line basis over the vesting period, based on the ultimate parent's estimate of the number of shares that will eventually vest.

**3.17 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.

**3.18 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 management considers there are no 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.

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**TELECITYGROUP UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**5. Operating profit**

The operating profit is stated after charging:

	<b>2017 £000</b>	<b>2016 £000</b>
Operating leases	-	8,096
Real estate property tax	-	4,028
Depreciation of tangible fixed assets	-	14,122
Foreign exchange difference	-	(9)
	<hr/>	<hr/>

**6. Interest receivable and similar income**

	<b>2017 £000</b>	<b>2016 £000</b>
Bank and other interest	-	15
	<hr/>	<hr/>

**7. Interest payable and similar expenses**

	<b>2017 £000</b>	<b>2016 £000</b>
Interest payable on loans from group undertakings	-	2,717
Interest payable on financial leases	-	321
Other interest payable	-	60
	<hr/>	<hr/>
	-	3,098
	<hr/>	<hr/>

**TELECITYGROUP UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**8. Other non-operating income**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Gain on disposal of trade and tangible assets	-	972,211
	<u>-</u>	<u>972,211</u>

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.

**9. Employees**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	-	8,379
Social security costs	-	937
Other pension costs-defined contribution plans	-	211
Share based payments	-	579
	<u>-</u>	<u>10,106</u>

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

	<b>2017</b>	<b>2016</b>
	<b>No.</b>	<b>No.</b>
Operations	-	107
Sales and marketing	-	25
Administration	-	68
	<u>0</u>	<u>200</u>

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**TELECITYGROUP UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**10. Directors' remuneration**

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

	<b>2017 £000</b>	<b>2016 £000</b>
Directors' emoluments	-	921
Pension cost- defined contribution plan	-	8
	<u>-</u>	<u>929</u>

No director received remuneration from the Company in the year (2016:1). The remuneration of the directors was borne by TelecityGroup 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 year.

Post-employment benefits comprise contributions to defined contribution pension schemes. Retirement benefits are accruing from the Company for no directors (2016: 1).

**11. Auditors' remuneration**

Auditors' remuneration of £10,920 (2016: £48,000) for the audit of the Company was borne by another Group Company.

**12. Tax on profit**

	<b>2017 £000</b>	<b>2016 £000</b>
<b>Corporation tax</b>		
Current tax on profit for the year	36	(8,245)
<b>Total current tax</b>	<u>36</u>	<u>(8,245)</u>
<b>Tax on profit</b>	<u>36</u>	<u>(8,245)</u>

**TELECITYGROUP UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**12. Tax on profit (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2016 - *lower than*) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £000	2016 £000
Profit before taxation	-	990,586
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	-	198,117
Effects of:		
Adjustments in respect of prior years	-	(8,245)
Capital allowances for year in excess of depreciation	-	(2,823)
Impact of non-deductible expenditure	-	(215)
Other non-operating income not subject to taxation	-	(194,501)
Differences arising on tax deductions for share based payments	-	(578)
Transfer pricing adjustments	36	-
<b>Total tax charge/(credit) for the year</b>	<b>36</b>	<b>(8,245)</b>

**Factors that may affect future tax charges**

The tax rate for the current year is lower than the prior year due to changes in the UK tax legislation which provided for the rate to reduce from 20% to 19% from 1 April 2017. This change to the UK corporation tax rate was substantively enacted as part of the Finance Bill 2016, in addition to a future reduction to 17% from 1 April 2020. Deferred tax balances at the balance sheet date have been measured at this rate of 17% to reflect the expected future tax rate.

**13. Debtors**

	2017 £000	2016 £000
Amounts owed by group companies	9,232	9,241
	<b>9,232</b>	<b>9,241</b>

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

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**TELECITYGROUP UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**14. Cash at bank and in hand**

	<b>2017 £000</b>	<b>2016 £000</b>
Cash at bank and in hand	9	-
	<u>9</u>	<u>-</u>

**15. Creditors**

	<b>2017 £000</b>	<b>2016 £000</b>
Amount owed to group undertakings	1,637	1,637
Corporation tax	36	-
	<u>1,673</u>	<u>1,637</u>

**16. Called up share capital**

	<b>2017 £000</b>	<b>2016 £000</b>
Allotted, called up and fully paid 1 (2016 - 1) Ordinary share of £1 each	-	-
	<u>-</u>	<u>-</u>

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**TELECITYGROUP UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**17. Share based payments**

**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.

The share compensation charge is analysed as follows:

	2017	2016
Restricted stock units	-	579

**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.

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 2017 (2016: nil).

Movements in RSUs during 2017 and 2016 are reconciled as follows:

	2017 £000	2016 £000
RSUs Outstanding at 1 January	-	510
RSUs granted	-	-
RSUs released	-	(510)
RSUs outstanding at 31 December	-	-

The weighted average contractual life of RSUs outstanding at year end was nil months (2016: nil).



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**TELECITYGROUP UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**18. 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.

**19. Related party transactions**

The Company has not entered into any related party transactions that require disclosure in the financial statements.

**20. 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 0QH. 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.

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

**TELECITYGROUP UK LIMITED**  
**Registered number 3607764**  
**Annual report and financial statements**

**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)

**TELECITYGROUP UK LIMITED**  
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**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<sup>1</sup> (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:

	Year ended 31 December 2015 Number	Year ended 31 December 2014 Number
<b>Ordinary shares</b>		
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.

<sup>1</sup> The legal name of Eric Hageman is Wilhelmus Hageman.

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## **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.

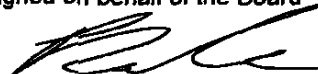
This confirmation is given and should be interpreted in accordance with section 418 of the Companies Act 2006.

### **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**

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### **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.

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## **Opinion on other matter prescribed by the Companies Act 2006**

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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.

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## **Other matters on which we are required to report by exception**

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### **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.

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### **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.

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## **Responsibilities for the financial statements and the audit**

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### **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.

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### **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

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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)
<b>Gross profit</b>		<b>85,560</b>	<b>82,342</b>
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)
<b>Total administrative costs</b>		<b>(32,173)</b>	<b>(25,032)</b>
<b>Operating profit</b>		<b>48,014</b>	<b>53,124</b>
Finance income	7	4	20
Finance costs	8	(4,072)	(1,523)
Other financing items	9	(1)	(20)
<b>Profit before tax</b>		<b>43,945</b>	<b>51,601</b>
Income tax	13	(7,494)	(10,107)
<b>Profit for the financial year attributable to parent</b>		<b>36,451</b>	<b>41,494</b>
<b>Total comprehensive income attributable to parent</b>		<b>36,451</b>	<b>41,494</b>

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

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**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
<b>At 1 January 2014</b>	<b>2,500</b>	<b>10,000</b>	<b>133,169</b>	<b>(68,268)</b>	<b>77,401</b>
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)
<b>At 31 December 2014 and 1 January 2015</b>	<b>2,500</b>	<b>10,000</b>	<b>140,123</b>	<b>(68,268)</b>	<b>84,355</b>
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)
<b>At 31 December 2015</b>	<b>2,500</b>	<b>10,000</b>	<b>140,423</b>	<b>(68,268)</b>	<b>84,655</b>

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
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	256,437	281,174
Trade and other receivables	16	296	315
		<b>256,733</b>	<b>281,489</b>
<b>Current assets</b>			
Assets held for disposal			
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	
		<b>54,444</b>	<b>19,803</b>
<b>Total assets</b>		<b>311,177</b>	<b>301,292</b>
<b>Equity</b>			
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
<b>Total equity</b>		<b>84,655</b>	<b>84,355</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
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
		<b>167,609</b>	<b>164,432</b>
<b>Current liabilities</b>			
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
		<b>59,913</b>	<b>52,505</b>
<b>Total liabilities</b>		<b>226,522</b>	<b>216,937</b>
<b>Total equity and liabilities</b>		<b>311,177</b>	<b>301,292</b>

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**

**TELECITYGROUP UK LIMITED**  
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**STATEMENT OF CASH FLOWS**

		<b>Year ended 31 December 2015 £'000</b>	<b>Year ended 31 December 2014 £'000</b>
	<b>Note</b>		
<b>Cash inflow from operations</b>	<b>25</b>	<b>68,854</b>	<b>62,789</b>
Interest received		4	20
Interest paid		(3,497)	(802)
Interest element of finance lease payments		(574)	(722)
Taxation paid		(7,443)	(9,570)
<b>Net cash flow from operating activities</b>		<b>57,344</b>	<b>51,715</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(30,088)	(30,041)
<b>Net cash used in investing activities</b>		<b>(30,088)</b>	<b>(30,041)</b>
<b>Cash flows from financing activities</b>			
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	<b>31</b>	<b>(37,000)</b>	<b>(35,000)</b>
<b>Net cash outflow from financing activities</b>		<b>(29,192)</b>	<b>(20,009)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,936)</b>	<b>1,665</b>
Effects of foreign exchange rate change		(1)	(20)
<b>Cash and cash equivalents at beginning of year</b>		<b>6,916</b>	<b>5,271</b>
<b>Cash and cash equivalents at end of year</b>	<b>17</b>	<b>4,979</b>	<b>6,916</b>

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**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.

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**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.



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**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.

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**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.

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**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.

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**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
	<b>573</b>	<b>331</b>

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.

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**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
<b>By activity</b>		
Operations	202	202
Sales and marketing	38	32
Administration	33	26
	<b>273</b>	<b>260</b>
	<b>£'000</b>	<b>£'000</b>
<b>Staff costs (for the above persons) including redundancy costs</b>		
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
	<b>16,316</b>	<b>14,390</b>

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	—	—	—
<b>Total</b>			<b>6</b>	<b>504</b>	<b>510</b>	<b>6</b>	<b>656</b>	<b>662</b>

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)	—	—
<b>At 31 December</b>	<b>5.91</b>	<b>153</b>	<b>6.25</b>	<b>267</b>

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**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:

	<b>2015</b>	<b>2014</b>
	<b>Number of performance shares '000</b>	<b>Number of performance shares '000</b>
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:

<b>Grant date</b>	<b>November 2015 Sharesave</b>	<b>February 2015 Performance shares</b>	<b>November 2014 Sharesave</b>	<b>February 2014 Performance shares</b>
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:

	<b>February 2015</b>	<b>February 2014</b>
	<b>%</b>	<b>%</b>
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.



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**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.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**12. Expenses by nature**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**13. Income tax**

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
<b>Current tax:</b>		
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)
<b>Total current tax</b>	<b>7,727</b>	<b>8,161</b>
<b>Deferred tax:</b>		
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)
<b>Total deferred tax</b>	<b>(233)</b>	<b>1,946</b>
<b>Total income tax charge</b>	<b>7,494</b>	<b>10,107</b>

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
<b>Profit before tax</b>	<b>43,945</b>	<b>51,601</b>
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)
<b>Total tax charge</b>	<b>7,494</b>	<b>10,107</b>

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.

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**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
<b>Deferred tax assets:</b>		
- Deferred tax assets to be recovered after more than 12 months	435	63
	<b>435</b>	<b>63</b>
<b>Deferred tax liabilities:</b>		
- Deferred tax liabilities to be recovered after more than 12 months	(17,249)	(17,365)
	<b>(17,249)</b>	<b>(17,365)</b>
<b>Deferred tax liabilities (net)</b>	<b>(16,814)</b>	<b>(17,302)</b>
<b>Deferred tax liabilities – continuing business</b>	<b>(14,828)</b>	<b>(17,302)</b>
<b>Deferred tax liabilities – liabilities held for disposal (note 18)</b>	<b>(1,986)</b>	<b>—</b>
<b>Deferred tax liabilities (net)</b>	<b>(16,814)</b>	<b>(17,302)</b>

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
<b>At 1 January 2014</b>	<b>253</b>	<b>(15,641)</b>	<b>12</b>	<b>(15,376)</b>
Credited/(charged) to income statement	(253)	(1,724)	31	(1,946)
Charged directly to equity	—	—	20	20
<b>At 31 December 2014</b>	<b>—</b>	<b>(17,365)</b>	<b>63</b>	<b>(17,302)</b>
Credited/(charged) to income statement	—	116	117	233
Liabilities held for disposal (note 18)	—	1,986	—	1,986
Charged directly to equity	—	—	255	255
<b>At 31 December 2015</b>	<b>—</b>	<b>(15,263)</b>	<b>435</b>	<b>(14,828)</b>

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.

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**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
<b>Cost</b>					
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	65,651	65,722	185,883	30,042	337,298
<b>Accumulated depreciation</b>					
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
<b>Net book value</b>					
At 31 December 2015	65,651	46,868	128,293	25,625	266,437
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).

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**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
<b>Financial assets</b>			
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
<b>Total financial assets</b>		<b>14,194</b>	<b>14,475</b>
<b>Financial liabilities</b>			
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
<b>Total financial liabilities</b>		<b>147,567</b>	<b>138,168</b>

**16. Trade and other receivables**

	31 December 2015 £'000	31 December 2014 £'000
<b>Current</b>		
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
	<b>13,059</b>	<b>12,887</b>
<b>Non-current</b>		
Rental deposit	262	281
Other receivables	34	34
	<b>296</b>	<b>315</b>

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:

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

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:

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

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

	<b>31 December 2015 £'000</b>	<b>31 December 2014 £'000</b>
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	<b>198</b>	<b>386</b>

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.

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**17. Cash and cash equivalents**

	<b>31 December 2015 £'000</b>	<b>31 December 2014 £'000</b>
Cash at bank and in hand	<b>4,979</b>	<b>6,916</b>

**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.

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



**TELECITYGROUP UK LIMITED**  
**Registered number 3607764**  
**Annual report and financial statements**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**19. Trade and other payables**

	<b>31 December 2015 £'000</b>	<b>31 December 2014 £'000</b>
<b>Current</b>		
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
	<b>20,121</b>	<b>20,189</b>

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.

	<b>31 December 2015 £'000</b>	<b>31 December 2014 £'000</b>
<b>Non-current</b>		
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**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**21. Borrowings**

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

The maturity profile of the borrowings is set out below:

	<b>31 December 2015 £'000</b>	<b>31 December 2014 £'000</b>
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	<b>13,224</b>	<b>18,081</b>

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**

	<b>Dilapidations £'000</b>	<b>Onerous leases £'000</b>	<b>Total £'000</b>
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	<b>960</b>	<b>-</b>	<b>960</b>

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**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**24. Reserves**

Share capital represents the nominal value of the shares issued 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)
	<b>68,854</b>	<b>62,789</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**26. Net debt**

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

		<b>31 December 2015 £'000</b>	<b>31 December 2014 £'000</b>
	<b>Note</b>		
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)
<b>Net debt</b>		<b>138,341</b>	<b>130,355</b>
<b>Total equity</b>		<b>84,967</b>	<b>84,355</b>
<b>Total capital</b>		<b>223,308</b>	<b>214,710</b>
<b>Gearing ratio</b>		<b>62%</b>	<b>61%</b>

		<b>31 December 2015 £'000</b>	<b>31 December 2014 £'000</b>
<b>Reconciliation of net debt:</b>			
(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)
<b>Change in net debt</b>		<b>(7,966)</b>	<b>(13,538)</b>
<b>Net debt at the beginning of the year</b>		<b>(130,355)</b>	<b>(116,817)</b>
<b>Net debt at the end of the year</b>		<b>(138,341)</b>	<b>(130,355)</b>

**27. Financial commitments**

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

	<b>Land and buildings</b>	
	<b>31 December 2015 £'000</b>	<b>31 December 2014 £'000</b>
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
	<b>385,234</b>	<b>370,980</b>

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

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**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.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**31. Dividends**

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

**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.

**EQUINIX (EMEA) ACQUISITION ENTERPRISES B.V.**

**Financial report**

**for the year ended 31 December 2017**

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# Director's report

## Introduction

The directors present their report together with the financial statements of Equinix (EMEA) Acquisition Enterprises B.V. ("The Company") for the 12-month period ended 31 December 2017.

## Principal activities

The Company is an intermediate holding company within the group of companies ultimately controlled by Equinix, Inc.

## Business review

Over the course of 2017 the Company continued engaging in a business model optimization ("BMO") project. Under the terms of the project the subsidiaries of Equinix (EMEA) Acquisition Enterprises B.V. were prepared for integration into Equinix's preexisting European legal entity structure. The initial integrations took place in 2016 when TelecityGroup Holdings Limited, an indirect subsidiary of the Company, sold its interest in TelecityGroup Netherlands B.V. to Equinix (Netherlands) Holdings B.V. In 2017 TelecityGroup Holdings Limited sold its interest in Equinix (Finland) Oy, TelecityGroup Italia SpA and TelecityGroup Germany GmbH to Equinix (Netherlands) Holdings B.V. and Equinix (EMEA) B.V. TelecityGroup Italia and Germany merged with Equinix subsidiaries in those countries. The resulting sale proceeds were distributed up the ownership chain to the Company as a dividend in specie.

The profit for the period, after taxation, amounted to \$ 163.6 m (2016: profit \$ 1,100.0 m).

## Dividends paid

On 30 August 2017 the Company paid a dividend in specie in the amount of \$163.0 m to Equinix (EMEA) Management Inc. which was satisfied by the assignment by the Company of certain intercompany receivables.

## Dividends received

On 30 August 2017 the Company received a dividend in specie in the amount of \$164.0 m from Equinix (UK) Acquisition Enterprises Ltd. which was satisfied by the assignment by the Company of certain intercompany receivables.

A final cash dividend was also received by the Company on 30 August 2017 of \$0.2m from Equinix (UK) Acquisition Enterprises Ltd.

## **Business environment**

The Dutch datacentre market is well established and dominated by a number of key players including the Group. The market continues to show strong growth, driven by increasing internet traffic, rises in requirements for power and cooling, the expansion of computing requirements of the financial services industry, the emergence of Cloud Computing and Software as a Service.

## **Strategy**

The Group's intention is to expand its leadership position as a premier, network neutral datacentre operator for cloud and IT services providers, content providers, financial companies, enterprise and network services providers. The Group operates 'Platform Equinix', a concept that describes the business optimisation customers can achieve by being present in Equinix IBX datacentres, ranging from resilience through to interconnection, global reach, access to multiple low-latency networks and the opportunity to participate in financial services and networks ecosystems. In addition, the Group has expanded its go-to-market strategy by focusing on the key vertical markets of Financial Services, Networks, Content & Digital Media, Enterprise and Cloud & IT services, developing specific value propositions for each market.

## **Future outlook**

The Group will continue to look for attractive opportunities to grow its market share and improve its service offerings. The Group believes that the market for its services continues to provide the strong growth prospects that will enable it to maintain and improve its current performance.

We expect our expansion to continue in the years to come. In order to accommodate the growth of new customers, we foresee to expand the total capacity in the Amsterdam market in the next few years.

## **Research and Development**

There are no Research and Development activities taking place within Equinix (Netherlands) B.V.,

## **Key performance indicators**

The Group measures its financial performance by reference to third party turnover.

## **Financial instruments and risks**

### **[KH1]**

Financial risks facing are monitored through a process of regular assessment by the Group's management team. Many of the risks previously borne by the company, are now borne by Equinix (EMEA) B.V., following the change in distribution model. These include risks relating to pricing, datacentre running costs and bad debt. Liquidity risk can be adequately managed, as the business is highly cash generative, by cash flow forecasting to ensure sufficient cash balances are maintained, particularly at times when the Group is investing heavily in new capital infrastructure. The Company is exposed to interest rate fluctuations on its variable rate long term borrowing. The Company aims to obtain funding to meet its business needs at competitive rates of interest. Borrowings are managed centrally by the Group Treasury function. Foreign currency risk is limited as the Company does not deal with different currencies for the majority of the operations.

## **Principal risks and uncertainties**

Operating risks facing the Group are monitored through a process of regular assessment by the Group's management. Principal risks include:

**Failure of physical infrastructure:** The Group's business depends on providing customers with a highly reliable service. The Group must protect its customers' infrastructure and equipment located in its IBX datacentres. The services the Group provides in each of its datacentres are subject to failure resulting from numerous factors, including: human error; equipment failure; physical, electronic and cyber security breaches; natural disasters; extreme temperatures; water damage; fibre cuts; power loss; sabotage; or terrorist acts. Problems at one or more of the Group's datacentres could result in service interruptions or significant equipment damage.

**Prolonged power outages:** The Group's business could be harmed by prolonged electrical power outages or shortages. The Group attempts to limit exposure to system downtime by using backup generators and power supplies. However, the Group is not able to eliminate its exposure entirely even with these protections in place.

**Security breaches:** The Group may be vulnerable to security breaches which could disrupt its operations and have a material adverse effect on its financial performance and operating results. A party who is able to compromise the security measures on the Group's networks or the security of the Group's infrastructure could misappropriate personal or proprietary information of its customers, or cause interruptions or malfunctions in the Group's operations or its customers' operations. As the Group provides assurances to its customers that it provides the highest level of security, such a compromise could be particularly harmful to the Group's brand and reputation. The Group may be required to expend significant capital and resources to protect against such threats or to alleviate problems caused by breaches in security.

**Environmental regulations:** These may impose new or unexpected costs. The Group is subject to environmental and health and safety regulations, including those relating to the generation, storage, handling and disposal of hazardous waste. The Group's operations involve the use of hazardous substances, such as petroleum fuel for emergency generators, as well as batteries. To the extent that any hazardous substances or any other substance or material must be cleaned up, the Group may be responsible under applicable regulations, the cost of which could be substantial. The Group maintains extremely high standards of health and safety compliance throughout the organisation.

**Products and services have long sales cycles:** A customer's decision to license cabinet space in one of the Group's IBX datacentres and to purchase additional services typically involves a significant commitment of resources. In addition, some customers will be reluctant to commit to locating in the Group's IBX datacentres until they are confident that the IBX datacentre has adequate carrier connections. As a result the Group has a long sales cycle. Furthermore, the Group may expend significant time and resources in pursuing a particular sale or customer that does not result in revenue. It takes time for new sales hires to become fully productive, so any loss of sales staff is a risk to the business.

**Adverse global economic conditions and credit market uncertainty could adversely impact our business and financial condition.** Adverse global economic conditions and uncertain conditions in the credit markets have created, and in the future may create, uncertainty and unpredictability and add risk to our future outlook. An uncertain global economy could also result in churn in our customer base, reductions in revenues from our offerings, longer sales cycles, slower adoption of new technologies and increased price competition, adversely affecting our liquidity. The uncertain economic environment could also have an impact on our foreign exchange forward contracts if our counterparties' credit deteriorates or they are otherwise unable to perform their obligations. Finally, our ability to access the capital markets may be severely restricted at a time when we would like, or need, to do so which could have an impact on our flexibility to pursue additional expansion opportunities and maintain our desired level of revenue growth in the future.

**Environmental regulations may impose upon us new or unexpected costs.** Environmental regulations may impose upon us new or unexpected costs. We are subject to various local and international environmental and health and safety laws and regulations, including those relating to the generation, storage, handling and disposal of hazardous substances and wastes. Certain of these laws and regulations also impose joint and several liability, without regard to fault, for investigation and clean-up costs on current and former owners and operators of real property and persons who have disposed of or released hazardous substances into the environment. To the extent any hazardous substances or any other substance or material must be cleaned up or removed from our property, we may be responsible under applicable laws, regulations or leases for the removal or clean-up of such substances or materials, the cost of which could be substantial.

We may not be able to compete successfully against current and future competitors. We must continue to evolve our product strategy and be able to differentiate our IBX data centers and product offerings from those of our competitors. In addition to competing with other neutral colocation providers, we compete with traditional colocation providers, including telecommunications companies, carriers, internet service providers, managed services providers and large REITs who also operate in our market and may enjoy a cost advantage in providing offerings similar to those provided by our IBX data centers. We may experience competition from our landlords which could also reduce the amount of space available to us for expansion in the future. Rather than leasing available space in our buildings to large single tenants, they may decide to convert the space instead to smaller square foot units designed for multi-tenant colocation use, blurring the line between retail and wholesale space. We may also face competition from existing competitors or new entrants to the market seeking to replicate our global IBX data center concept by building or acquiring data centers, offering colocation on neutral terms or by replicating our strategy and messaging. Finally, customers may also decide it is cost-effective for them to build out their own data centers. Once customers have an established data center footprint, either through a relationship with one of our competitors or through in-sourcing, it may be extremely difficult to convince them to relocate to our IBX data centers. Some of our competitors may adopt aggressive pricing policies, especially if they are not highly leveraged or have lower return thresholds than we do. As a result, we may suffer from pricing pressure that would adversely affect our ability to generate revenues. Some of these competitors may also provide our target customers with additional benefits, including bundled communication services or cloud services, and may do so in a manner that is more attractive to our potential customers than obtaining space in our IBX data centers.

### **Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

### **Going concern**

The directors of the ultimate parent company, Equinix Inc., have confirmed that it is their intention to make continued financial support available to enable the Company to meet its liabilities as they fall due for a period of not less than one year from the date of approval of these financial statements. As a result these financial statements have been prepared on a going concern basis.

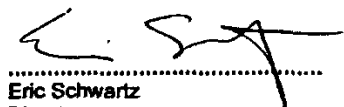
## **Corporate Governance**

We have adopted a Code of Ethics applicable for the Chief Executive Officer and Senior Financial Officers and a Code of Business Conduct. This information is available on our website, [www.equinix.com](http://www.equinix.com).

## **Proposed profit after appropriation**

Following the profit appropriation proposed by the Management Board, the complete result for 2017 of € 163.6 million will be added to Retained Earnings.

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



.....  
Eric Schwartz  
Director  
Date:

**BALANCE SHEET**  
**31 December 2017**  
**(after appropriation of profit)**

	Notes	December 31, 2017 \$'000	December 31, 2016 \$'000
<b>Financial Fixed Assets</b>			
Investment in subsidiaries	6	-	-
<b>Current Assets</b>			
Cash and cash equivalents	10	545	1
<b>Total Current Assets</b>		545	1
<b>TOTAL ASSETS</b>		<b>545</b>	<b>1</b>
<b>Equity</b>			
Issued share capital	11	-	-
Retained earnings	11	545	1
		545	-
<b>Current Liabilities</b>		-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>545</b>	<b>1</b>

**PROFIT AND LOSS STATEMENT**  
**12 months period ended 31 December 2017**

	Notes	2017 \$'000	2016 \$'000
<b>Operating profit</b>		-	-
Interest and similar income	10	588	1
Interest and similar charges	11	(1,244)	-
<b>Profit on ordinary activities before taxation</b>		<u>(656)</u>	<u>1</u>
Taxation on profit on ordinary activities		-	-
Income from shares in group undertakings	12	<u>164,243</u>	<u>1,100,000</u>
<b>Profit for the financial year</b>		<u><b>163,587</b></u>	<u><b>1,100,001</b></u>

These financial statements were approved on 5/6/ 2018 and were signed on their behalf by:



The Management Board

Eric Schwartz



## Notes to the balance sheet and income statement

### 1. General notes

#### 1.1. Activities

The Company is an intermediate holding company within the group of companies ultimately controlled by Equinix, Inc

#### 1.2. Prior-year comparison

The accounting policies have been consistently applied to all the years presented.

#### 1.3. Registered office

The registered and actual address of Equinix (EMEA) Acquisition Enterprises B.V. is Rembrandt Tower 7th Floor, Amstelplein 1, Amsterdam, 1096HA, Netherlands (KvK 63332248).

#### 1.4. Group structure

Equinix (EMEA) Acquisition Enterprises B.V. is part of the Equinix group. The head of this group is Equinix Inc. of Delaware (US). The financial statements of Equinix (EMEA) Acquisition Enterprises B.V. are included in the consolidated financial statements of Equinix Inc. of Delaware (US). Copies of the consolidated financial statements of Equinix Inc. are available at cost at the offices of Equinix (EMEA) Acquisition Enterprises B.V.

#### 1.5. Estimates

In applying the principles and policies for drawing up the financial statements, the directors of Equinix (EMEA) Acquisition Enterprises B.V. make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. If it is necessary in order to provide the transparency required under Book 2, article 362, paragraph 1, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

#### 1.6. Related parties

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. In addition, entities that can control Equinix (EMEA) Acquisition Enterprises B.V. are considered to be a related party. In addition, statutory directors, other key management of Equinix (EMEA) Acquisition Enterprises B.V. or the ultimate parent company and close relatives are regarded as related parties. Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

#### 1.7. Financial Reporting period

The current reporting period runs from 1 January 2017 up to and including 31 December 2017.

#### 1.8. Consolidated financial statements

As per article 408, Part 9, Book 2 of the Dutch Civil Code, consolidated financial statements have not been drawn up. Consolidated Financial Statements have been drawn up by the ultimate Parent company Equinix Inc. in Delaware (USA) which has been filed at the Chamber of Commerce in Amsterdam. Copies of its consolidated financial statements may be also obtained at One Lagoon Drive, Redwood City, CA 94065, United States of America.

#### 1.9. Going concern

These financial statements have been prepared on the basis of the going concern assumption.

## Notes to the balance sheet and income statement

### 2. General accounting policies

#### 2.1 Basis of preparation

The financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Boards.

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or current value. If not specifically stated otherwise, they are recognized at the amounts at which they were acquired or incurred. The balance sheet, income statements include references to the notes.

#### 2.2 Financial Instruments

Foreign currency forward contracts have been used to offset changes in the functional-currency equivalent cash flows of non-functional currency denominated revenues or expenses. The purpose of the hedge is to reduce risk of unfavourable changes due to fluctuations in foreign currency rates. The nature of the risk being hedged is limited to foreign exchange risk (the risk of changes in the functional-currency equivalent cash flows that is attributable to changes in the related foreign currency exchange rates over a period of time). The forward contracts are recognized initially at fair value. After initial recognition the forward contract are measured at fair value.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If no fair value can be readily and reliably established, fair value is approximated by deriving it from the fair value of components or of a comparable financial instrument, or by approximating fair value using valuation models and valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models, making allowance for entity-specific inputs. Fair value of the hedging instrument (foreign currency forward contract) will equal the present value of the difference between (i) the contract notional at the contracted forward rate (spot rate plus forward points) and (ii) the contract notional at the forward rate as of the balance sheet (valuation) date (spot rate forward adjusted by interpolated forward points from market sources).

#### 2.3 Foreign currencies

##### *Functional currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the respective group company operates (the functional currency). The financial statements are presented in USD, which is the functional and presentation currency of Equinix (EMEA) Acquisition Enterprises B.V.

#### 2.4 Transactions, assets and liabilities

Foreign currency transactions in the reporting period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the income statement, except when deferred in equity as qualifying hedges.

#### 2.5 Financial instruments

Financial instruments are both primary financial instruments (such as receivables and debts), and derivative financial instruments (derivatives).

##### Primary financial instruments

For the principles of primary financial instruments, reference is made to the recognition per balance sheet item of the 'Principles for the valuation of assets and liabilities'.

## Notes to the balance sheet and income statement

### 3. Accounting policies for the balance sheet

#### 3.1 Financial fixed assets

Investments in subsidiary undertakings are recognized at net asset value.

#### 3.2 Cash at banks and in hand

The cash is valued at the face value. If cash equivalents are not freely disposable, then this has been taken into account upon validation.

#### 3.3 Shareholders' equity

Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under shareholders' equity. Payments to holders of these instruments are deducted from the shareholders' equity as part of the profit distribution.

Financial instruments that are designated as a financial liability by virtue of the economic reality are presented under liabilities. Interest, dividends, income and expenditure with respect to these financial instruments are recognized in the profit and loss as financial income or expense. The purchase of own shares is deducted from the other reserves.

### 4. Accounting policies for the income statement

#### 4.1 General

Profit or loss is determined as the difference between the realisable value of the goods/services provided and the costs and other charges during the year. Revenues on transactions are recognised in the year in which they are realised.

#### 4.2 Operating expenses

Operating expenses comprise costs chargeable to the year that are not directly attributable to the cost of the goods and services sold.

#### 4.3 Amortisation of intangible fixed assets

Intangible assets, including goodwill, are amortised and tangible fixed assets are depreciated over their estimated useful lives as from the inception of their use. Future amortisation is adjusted if there is a change in estimated future useful life.

#### 4.4 Financial income and expense

##### Interest income and interest expenses

Interest income and expenses are recognised on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate. In accounting for interest expenses, the recognised transaction expenses for loans received are taken into consideration.

### 5. Financial instruments and risk management

#### 5.1 Market risk

##### Currency risk

Equinix (EMEA) Acquisition Enterprises B.V. is not exposed to any significant currency risk

##### Price risk

Equinix (EMEA) Acquisition Enterprises B.V. is not exposed to any significant securities price risk.

##### Interest rate and cash flow risk

Equinix (EMEA) Acquisition Enterprises B.V. is not exposed to any significant interest rate risk.

#### 5.2 Credit risk

Equinix (EMEA) Acquisition Enterprises B.V. is not exposed to any significant credit risk.

#### 5.3 Liquidity risk

Equinix (EMEA) Acquisition Enterprises B.V. is not exposed to any significant liquidity risk due to its ability to obtain additional financing from group Companies.

## Notes to the balance sheet and income statement

### 6. Financial Fixed Assets

	Investments in subsidiary companies \$000
<b>Cost</b>	
At 1 January 2017	-
Movements 2017	-
At 31 December 2017	-

#### Direct subsidiary undertakings

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

Name	Class of shares	Holding (%)	Principal activity	Country of incorporation	Registered office
Equinix (UK) Acquisition Enterprises Limited	Ordinary	100	Intermediate holding company	UK	Masters House, 107 Hammersmith Road, London W14 0QH

#### Indirect Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity	Country of incorporation	Registered office
TelecityGroup Investment Limited	Ordinary	100 %	Intermediate holding company	UK	Masters House, 107 Hammersmith Road, London W14 0QH
TelecityGroup International Limited	Ordinary	100 %	Intermediate holding company	UK	Masters House, 107 Hammersmith Road, London W14 0QH
TelecityGroup Holdings Limited	Ordinary	100 %	Intermediate holding company	UK	Masters House, 107 Hammersmith Road, London W14 0QH
TelecityGroup Limited	UK Ordinary	100 %	Non-trading	UK	Masters House, 107 Hammersmith Road, London W14 0QH
Telecity UK Limited	Ordinary	100 %	Non-trading	UK	Masters House, 107 Hammersmith Road, London W14 0QH
TelecityGroup S.A.	Spain Ordinary	100 %	Non-trading	Spain	C/Gurtubay 6, 1 Izquierda, 28001 Madrid, Spain

### 7. Cash and cash equivalents

## Notes to the balance sheet and income statement

Cash and cash equivalents consists mainly of bank accounts.

### 8. Shareholders' equity

	Issued share capital	Retained earnings	Profit for the year	Total
	\$'000	\$'000	\$'000	\$'000
Balance as at 31 December 2016	-	(1,100,000)	1,100,001	1
Profit appropriation		1,100,000	(1,100,001)	(1)
Dividend distribution		(163,042)		(163,042)
Result for the year	-		163,587	163,587
<b>Balance as at 31 December 2017</b>	<b>-</b>	<b>(163,042)</b>	<b>163,587</b>	<b>545</b>

As at 31 December 2017, the authorized capital stock consisted of 1 Shares of nominal value \$1 per share fully paid up.

#### **Proposed appropriation of result for the financial year 2017**

The board of directors proposes, with the approval of the supervisory board, that the result for the financial year 2017 amounting to 163,587,072 USD should be transferred to Retained Earnings.

### Dividends paid

On 30 August 2017 the Company paid a dividend in specie in the amount of \$163.0 m to Equinix (EMEA) Management Inc. which was satisfied by the assignment by the Company of certain intercompany receivables.

### Dividends received

On 30 August 2017 the Company received a dividend in specie in the amount of \$164.0 m from Equinix (UK) Acquisition Enterprises Ltd. which was satisfied by the assignment by the Company of certain intercompany receivables.

A final cash dividend was also received by the Company on 30 August 2017 of \$0.2m from Equinix (UK) Acquisition Enterprises Ltd.

### 9. Lease liabilities not presented in the Balance Sheet

The company has the following operating leases not presented on the balance sheet:

	Within 1 Year	1 - 2 Years	2 - 3 Years	3 - 4 Years	4 - 5 Years	5+ Years	Total
<b>Lease Commitments</b>	-	-	-	-	-	-	-

## Notes to the balance sheet and income statement

### Notes to the profit & loss account

#### Remuneration of directors

The Company has one director, Eric Schwartz, who is remunerated by Equinix (Netherlands) B.V. and was not recharged to the Company.

#### Average number of employees

During the fiscal year no employees were employed.

#### Financial income and expense

##### 10. Interest and similar income

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Foreign exchange gain	588	1
	<u>588</u>	<u>1</u>

##### 11. Interest and similar charges

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Foreign exchange loss	1,244	-
	<u>1,244</u>	<u>-</u>


##### 12. Income from share in group undertakings

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Dividend receivable from subsidiary companies	164,243	1,100,000
	<u>164,243</u>	<u>1,100,000</u>

On 30 August 2017 the Company received a dividend in specie in the amount of \$164.0 m from Equinix (UK) Acquisition Enterprises Ltd. which was satisfied by the assignment by the Company of certain intercompany receivables.

A final cash dividend was also received by the Company on 30 August 2017 of \$0.2m from Equinix (UK) Acquisition Enterprises Ltd.

Amsterdam,



Eric Schwartz  
Director

## **Other Information**

### **Statutory arrangements in respect of profit distribution**

According to Article 23 of the Company's articles of incorporation, the annual meeting of the shareholders determines the appropriation of the Company's net result for the year. The company has a sole shareholder being Equinix (EMEA) Management Inc, One Lagoon Drive, Redwood City, CA, 94065, United States. The shareholder has the right to appoint directors, the right to be consulted before the company takes a particular action and voting rights.

### **Appropriation of the result for the year**

The Board of Directors proposes that the result for the year ended on 31 December 2017 amounting to USD 163.587.072 will be carried forward to retained earnings.

### **Subsequent events**

The Company concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

### **Independent auditor's report**

As per article 396, Part 9, Book 2 of the Dutch Civil Code, financial statements are not subject to audit.

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<b>Annual report of the directors</b>	<b>2</b>
<b>Company Financial Statement</b>	
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<b>Income statement for the 18 month period ended 31 December 2016</b>	<b>9</b>
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# Director's report

## Introduction

The directors present their report together with the financial statements of Equinix (EMEA) Acquisition Enterprises B.V. ("The Company") for the period 18 May 2015 - 31 December 2016.

## Principal activities

The Company is an intermediate holding company within the group of companies ultimately controlled by Equinix, Inc.

## Business review

On 15 January 2016 the Company acquired Telecity Group Plc through an equity investment of \$1,100 m by Equinix (EMEA) Management Inc. On 12 December 2016, the Company passed a resolution to reduce its capital and paid a dividend in specie in the amount of \$1,100.0 m to Equinix (EMEA) Management Inc.

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 first of these integrations took place on 1 July 2016 when Telecity Group Holdings Limited, an indirect subsidiary of the Company, sold its interest in Telecity Group Netherlands B.V. to Equinix Netherlands (Holdings) S.V. The resulting sale proceeds were distributed up the ownership chain. On 29 July 2016 following the sale of subsidiary owned data centre assets to Digital Realty LLP a proportion of the proceeds were used to declare a further dividend in specie. The next round of integrations took place on 1 October 2016 when through a mixture of business combinations and asset sales, the businesses of Telecity Group UK Limited, Telecity Group International Limited, Telecity Group Scandinavia AB and Equinix (Ireland) Holdings Limited were sold to various Equinix subsidiaries. The net proceeds of these sales were again distributed up the ownership chain to the Company as a dividend in specie. The final BMO integration to be enacted in 2016 was the sale of Telecity Group France SA, by Telecity Group Holdings Limited to Equinix EMEA (Holdings) BV. The proceeds of the sale were again distributed in specie to the Company.

The profit for the period, after taxation, amounted to \$ 1,100.0 m.

### **Dividends paid**

On 12 December 2016 the Company paid a dividend in specie in the amount of \$1,100.0 m to Equinix (EMEA) Management Inc. which was satisfied by the assignment by the Company of certain intercompany receivables.

### **Dividends received**

On 12 December 2016 the Company received a dividend in specie in the amount of \$1,100.0 m from Equinix (UK) Acquisition Enterprises Ltd. which was satisfied by the assignment by the Company of certain intercompany receivables.

### **Business environment**

The Dutch datacentre market is well established and dominated by a number of key players including the Group. The market continues to show strong growth, driven by increasing internet traffic, rises in requirements for power and cooling, the expansion of computing requirements of the financial services industry, the emergence of Cloud Computing and Software as a Service.

### **Strategy**

The Group's intention is to expand its leadership position as a premier, network neutral datacentre operator for cloud and IT services providers, content providers, financial companies, enterprise and network services providers. The Group operates 'Platform Equinix', a concept that describes the business optimisation customers can achieve by being present in Equinix IBX datacentres, ranging from resilience through to interconnection, global reach, access to multiple low-latency networks and the opportunity to participate in financial services and networks ecosystems. In addition, the Group has expanded its go-to-market strategy by focusing on the key vertical markets of Financial Services, Networks, Content & Digital Media, Enterprise and Cloud & IT services, developing specific value propositions for each market.

### **Future outlook**

The Group will continue to look for attractive opportunities to grow its market share and improve its service offerings. The Group believes that the market for its services continues to provide the strong growth prospects that will enable it to maintain and improve its current performance.

We expect our expansion to continue in the years to come. In order to accommodate the growth of new customers, we foresee to expand the total capacity in the Amsterdam market in the next few years.

## Research and Development

There are no Research and Development activities taking place within Equinix (Netherlands) B.V.,

## Key performance indicators

The Group measures its financial performance by reference to third party turnover.

## Financial instruments and risks

### [KH1]

Financial risks facing are monitored through a process of regular assessment by the Group's management team. Many of the risks previously borne by the company, are now borne by Equinix (EMEA) B.V., following the change in distribution model. These include risks relating to pricing, datacentre running costs and bad debt. Liquidity risk can be adequately managed, as the business is highly cash generative, by cash flow forecasting to ensure sufficient cash balances are maintained, particularly at times when the Group is investing heavily in new capital infrastructure. The Company is exposed to interest rate fluctuations on its variable rate long term borrowing. The Company aims to obtain funding to meet its business needs at competitive rates of interest. Borrowings are managed centrally by the Group Treasury function. Foreign currency risk is limited as the Company does not deal with different currencies for the majority of the operations.

## Principal risks and uncertainties

Operating risks facing the Group are monitored through a process of regular assessment by the Group's management. Principal risks include:

**Failure of physical infrastructure:** The Group's business depends on providing customers with a highly reliable service. The Group must protect its customers' infrastructure and equipment located in its IBX datacentres. The services the Group provides in each of its datacentres are subject to failure resulting from numerous factors, including: human error; equipment failure; physical, electronic and cyber security breaches; natural disasters; extreme temperatures; water damage; fibre cuts; power loss; sabotage; or terrorist acts. Problems at one or more of the Group's datacentres could result in service interruptions or significant equipment damage.

**Prolonged power outages:** The Group's business could be harmed by prolonged electrical power outages or shortages. The Group attempts to limit exposure to system downtime by using backup generators and power supplies. However, the Group is not able to eliminate its exposure entirely even with these protections in place.

**Security breaches:** The Group may be vulnerable to security breaches which could disrupt its operations and have a material adverse effect on its financial performance and operating results. A party who is able

to compromise the security measures on the Group's networks or the security of the Group's infrastructure could misappropriate personal or proprietary information of its customers, or cause interruptions or malfunctions in the Group's operations or its customers' operations. As the Group provides assurances to its customers that it provides the highest level of security, such a compromise could be particularly harmful to the Group's brand and reputation. The Group may be required to expend significant capital and resources to protect against such threats or to alleviate problems caused by breaches in security.

**Environmental regulations:** These may impose new or unexpected costs. The Group is subject to environmental and health and safety regulations, including those relating to the generation, storage, handling and disposal of hazardous waste. The Group's operations involve the use of hazardous substances, such as petroleum fuel for emergency generators, as well as batteries. To the extent that any hazardous substances or any other substance or material must be cleaned up, the Group may be responsible under applicable regulations, the cost of which could be substantial. The Group maintains extremely high standards of health and safety compliance throughout the organisation.

**Products and services have long sales cycles:** A customer's decision to license cabinet space in one of the Group's IBX datacentres and to purchase additional services typically involves a significant commitment of resources. In addition, some customers will be reluctant to commit to locating in the Group's IBX datacentres until they are confident that the IBX datacentre has adequate carrier connections. As a result the Group has a long sales cycle. Furthermore, the Group may expend significant time and resources in pursuing a particular sale or customer that does not result in revenue. It takes time for new sales hires to become fully productive, so any loss of sales staff is a risk to the business.

**Adverse global economic conditions and credit market uncertainty could adversely impact our business and financial condition.** Adverse global economic conditions and uncertain conditions in the credit markets have created, and in the future may create, uncertainty and unpredictability and add risk to our future outlook. An uncertain global economy could also result in churn in our customer base, reductions in revenues from our offerings, longer sales cycles, slower adoption of new technologies and increased price competition, adversely affecting our liquidity. The uncertain economic environment could also have an impact on our foreign exchange forward contracts if our counterparties' credit deteriorates or they are otherwise unable to perform their obligations. Finally, our ability to access the capital markets may be severely restricted at a time when we would like, or need, to do so which could have an impact on our flexibility to pursue additional expansion opportunities and maintain our desired level of revenue growth in the future.

**Environmental regulations may impose upon us new or unexpected costs.** Environmental regulations may impose upon us new or unexpected costs. We are subject to various local and international environmental and health and safety laws and regulations, including those relating to the generation, storage, handling and disposal of hazardous substances and wastes. Certain of these laws and regulations

also impose joint and several liability, without regard to fault, for investigation and clean-up costs on current and former owners and operators of real property and persons who have disposed of or released hazardous substances into the environment. To the extent any hazardous substances or any other substance or material must be cleaned up or removed from our property, we may be responsible under applicable laws, regulations or leases for the removal or clean-up of such substances or materials, the cost of which could be substantial.

**We may not be able to compete successfully against current and future competitors.** We must continue to evolve our product strategy and be able to differentiate our IBX data centers and product offerings from those of our competitors. In addition to competing with other neutral colocation providers, we compete with traditional colocation providers, including telecommunications companies, carriers, internet service providers, managed services providers and large REITs who also operate in our market and may enjoy a cost advantage in providing offerings similar to those provided by our IBX data centers. We may experience competition from our landlords which could also reduce the amount of space available to us for expansion in the future. Rather than leasing available space in our buildings to large single tenants, they may decide to convert the space instead to smaller square foot units designed for multi-tenant colocation use, blurring the line between retail and wholesale space. We may also face competition from existing competitors or new entrants to the market seeking to replicate our global IBX data center concept by building or acquiring data centers, offering colocation on neutral terms or by replicating our strategy and messaging. Finally, customers may also decide it is cost-effective for them to build out their own data centers. Once customers have an established data center footprint, either through a relationship with one of our competitors or through in-sourcing, it may be extremely difficult to convince them to relocate to our IBX data centers. Some of our competitors may adopt aggressive pricing policies, especially if they are not highly leveraged or have lower return thresholds than we do. As a result, we may suffer from pricing pressure that would adversely affect our ability to generate revenues. Some of these competitors may also provide our target customers with additional benefits, including bundled communication services or cloud services, and may do so in a manner that is more attractive to our potential customers than obtaining space in our IBX data centers.

### **Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

### **Going concern**

The directors of the ultimate parent company, Equinix Inc., have confirmed that it is their intention to make continued financial support available to enable the Company to meet its liabilities as they fall due for a period of not less than one year from the date of approval of these financial statements. As a result these financial statements have been prepared on a going concern basis.

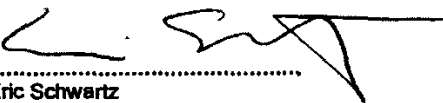
### **Corporate Governance**

We have adopted a Code of Ethics applicable for the Chief Executive Officer and Senior Financial Officers and a Code of Business Conduct. This information is available on our website, [www.equinix.com](http://www.equinix.com).

### **Proposed profit after appropriation**

Following the profit appropriation proposed by the Management Board, the complete result for 2016 of € 1,100.0 million will be added to Retained Earnings.

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



.....  
Eric Schwartz  
Director  
Date:

**BALANCE SHEET**  
**31 December 2016**  
(after appropriation of profit)

	Notes	December 31, 2016 \$'000
<b>Financial Fixed Assets</b>		
Investment in subsidiaries	6	-
<b>Current Assets</b>		
Cash and cash equivalents	10	1
<b>Total Current Assets</b>		1
<b>TOTAL ASSETS</b>		<u>1</u>
<b>Equity</b>		
Issued share capital	11	-
Retained earnings	11	1
		<u>1</u>
<b>Current Liabilities</b>		-
		<u>-</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1</u>

**PROFIT AND LOSS STATEMENT**  
**18 May 2015 - 31 December 2016**

	Notes	2016 \$'000
<b>Operating profit</b>		-
Interest and similar income	10	1
Interest and similar charges	11	-
<b>Profit on ordinary activities before taxation</b>		<u>1</u>
Taxation on profit on ordinary activities		-
Income from shares in group undertakings	12	<u>1,100,000</u>
<b>Profit for the financial year</b>		<u><u>1,100,001</u></u>

These financial statements were approved on 5/10/ 2018 and were signed on their behalf by:



The Management Board

Eric Schwartz



## Notes to the balance sheet and income statement

### 1. General notes

#### 1.1. Activities

Equinix (EMEA) Acquisition Enterprises B.V. - hereinafter referred to as "the Company" has been incorporated May 18<sup>th</sup>, 2015 as an intermediate holding company within the group of companies, for the purpose of the acquisition and integration of the Telecity Group companies. The Company is a 100% subsidiary of Equinix Inc. of Delaware (US), a company incorporated in the United States of America

#### 1.2. Extended Financial year

These financial statements have been drawn-up for its first, extended year, from May 18<sup>th</sup>, 2015 – December 31<sup>st</sup>, 2016.

#### 1.3. Registered office

The registered and actual address of Equinix (EMEA) Acquisition Enterprises B.V. is Rembrandt Tower 7th Floor, Amstelplein 1, Amsterdam, 1096HA, Netherlands (KvK 63332248).

#### 1.4. Group structure

Equinix (EMEA) Acquisition Enterprises B.V. is part of the Equinix group. The head of this group is Equinix Inc. of Delaware (US). The financial statements of Equinix (EMEA) Acquisition Enterprises B.V. are included in the consolidated financial statements of Equinix Inc. of Delaware (US). Copies of the consolidated financial statements of Equinix Inc. are available at cost at the offices of Equinix (EMEA) Acquisition Enterprises B.V.

#### 1.5. Estimates

In applying the principles and policies for drawing up the financial statements, the directors of Equinix (EMEA) Acquisition Enterprises B.V. make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. If it is necessary in order to provide the transparency required under Book 2, article 362, paragraph 1, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

#### 1.6. Related parties

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. In addition, entities that can control Equinix (EMEA) Acquisition Enterprises B.V. are considered to be a related party. In addition, statutory directors, other key management of Equinix (EMEA) Acquisition Enterprises B.V. or the ultimate parent company and close relatives are regarded as related parties. Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

#### 1.7. Financial Reporting period

The current reporting period runs from 18 May 2015 up to and including 31 December 2016.

#### 1.8. Consolidated financial statements

As per article 408, Part 9, Book 2 of the Dutch Civil Code, consolidated financial statements have not been drawn up. Consolidated Financial Statements have been drawn up by the ultimate Parent company Equinix Inc. in Delaware (USA) which has been filed at the Chamber of Commerce in Amsterdam. Copies of its consolidated financial statements may be also obtained at One Lagoon Drive, Redwood City, CA 94065, United States of America.

#### 1.9. Going concern

These financial statements have been prepared on the basis of the going concern assumption.

## Notes to the balance sheet and income statement

### 2. General accounting policies

#### 2.1 Basis of preparation

The financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Boards.

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or current value. If not specifically stated otherwise, they are recognized at the amounts at which they were acquired or incurred. The balance sheet, income statements include references to the notes.

#### 2.2 Financial Instruments

Foreign currency forward contracts have been used to offset changes in the functional-currency equivalent cash flows of non-functional currency denominated revenues or expenses. The purpose of the hedge is to reduce risk of unfavourable changes due to fluctuations in foreign currency rates. The nature of the risk being hedged is limited to foreign exchange risk (the risk of changes in the functional-currency equivalent cash flows that is attributable to changes in the related foreign currency exchange rates over a period of time). The forward contracts are recognized initially at fair value. After initial recognition the forward contract are measured at fair value.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If no fair value can be readily and reliably established, fair value is approximated by deriving it from the fair value of components or of a comparable financial instrument, or by approximating fair value using valuation models and valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models, making allowance for entity-specific inputs. Fair value of the hedging instrument (foreign currency forward contract) will equal the present value of the difference between (i) the contract notional at the contracted forward rate (spot rate plus forward points) and (ii) the contract notional at the forward rate as of the balance sheet (valuation) date (spot rate forward adjusted by interpolated forward points from market sources).

#### 2.3 Foreign currencies

##### *Functional currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the respective group company operates (the functional currency). The financial statements are presented in USD, which is the functional and presentation currency of Equinix (EMEA) Acquisition Enterprises B.V.

#### 2.4 Transactions, assets and liabilities

Foreign currency transactions in the reporting period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the income statement, except when deferred in equity as qualifying hedges.

#### 2.5 Financial instruments

Financial instruments are both primary financial instruments (such as receivables and debts), and derivative financial instruments (derivatives).

##### Primary financial instruments

For the principles of primary financial instruments, reference is made to the recognition per balance sheet item of the 'Principles for the valuation of assets and liabilities'.

## Notes to the balance sheet and income statement

### 3. Accounting policies for the balance sheet

#### 3.1 Financial fixed assets

Investments in subsidiary undertakings are recognized at net asset value.

#### 3.2 Cash at banks and in hand

The cash is valued at the face value. If cash equivalents are not freely disposable, then this has been taken into account upon validation.

#### 3.3 Shareholders' equity

Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under shareholders' equity. Payments to holders of these instruments are deducted from the shareholders' equity as part of the profit distribution.

Financial instruments that are designated as a financial liability by virtue of the economic reality are presented under liabilities. Interest, dividends, income and expenditure with respect to these financial instruments are recognized in the profit and loss as financial income or expense. The purchase of own shares is deducted from the other reserves.

### 4. Accounting policies for the income statement

#### 4.1 General

Profit or loss is determined as the difference between the realisable value of the goods/services provided and the costs and other charges during the year. Revenues on transactions are recognised in the year in which they are realised.

#### 4.2 Operating expenses

Operating expenses comprise costs chargeable to the year that are not directly attributable to the cost of the goods and services sold.

#### 4.3 Amortisation of intangible fixed assets

Intangible assets, including goodwill, are amortised and tangible fixed assets are depreciated over their estimated useful lives as from the inception of their use. Future amortisation is adjusted if there is a change in estimated future useful life.

#### 4.4 Financial income and expense

##### *Interest income and interest expenses*

Interest income and expenses are recognised on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate. In accounting for interest expenses, the recognised transaction expenses for loans received are taken into consideration.

### 5. Financial instruments and risk management

#### 5.1 Market risk

##### *Currency risk*

Equinix (EMEA) Acquisition Enterprises B.V. is not exposed to any significant currency risk

##### *Price risk*

Equinix (EMEA) Acquisition Enterprises B.V. is not exposed to any significant securities price risk.

##### *Interest rate and cash flow risk*

Equinix (EMEA) Acquisition Enterprises B.V. is not exposed to any significant interest rate risk.

#### 5.2 Credit risk

Equinix (EMEA) Acquisition Enterprises B.V. is not exposed to any significant credit risk.

#### 5.3 Liquidity risk

Equinix (EMEA) Acquisition Enterprises B.V. is not exposed to any significant liquidity risk due to its ability to obtain additional financing from group Companies.

## Notes to the balance sheet and income statement

### 6. Financial Fixed Assets

	Investments in subsidiary companies \$000
<b>Cost</b>	
At 18 May 2015	-
Share Capital / Incorporation subsidiary	1,100,000
Reduction of Share Capital / Dividend received	(1,100,000)
At 31 December 2016	-

#### Direct subsidiary undertakings

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

Name	Class of shares	Holding (%)	Principal activity	Country of Incorporation	Registered office
Equinix (UK) Acquisition Enterprises Limited	Ordinary	100	Intermediate holding company	UK	Masters House, 107 Hammersmith Road, London W14 0QH

Equinix (UK) Acquisition Enterprises Limited was incorporated in on 27 October 2015 and initially issued one share of \$1 at nominal value. On 22 January 2016 Equinix (EMEA) Acquisition Enterprises BV, subscribed for an additional 1,100,000,000 shares of \$1 each.

On 5 December 2016, Equinix (UK) Acquisition Enterprises Limited passed a resolution to reduce its capital (consisting of share capital and share premium) from \$1 100,000,001 to \$1.

On 12 December 2016, Equinix (UK) Acquisition Enterprises Limited declared and paid a dividend of \$1,100,000,000.

#### Indirect Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity	Country of Incorporation	Registered office
TelecityGroup Investment Limited	Ordinary	100 %	Intermediate holding company	UK	Masters House, 107 Hammersmith Road, London W14 0QH
TelecityGroup International Limited	Ordinary	100 %	Intermediate holding company	UK	Masters House, 107 Hammersmith Road, London W14 0QH
TelecityGroup Holdings Limited	Ordinary	100 %	Intermediate holding company	UK	Masters House, 107 Hammersmith Road, London W14 0QH

## Notes to the balance sheet and income statement

TelecityGroup Limited	UK	Ordinary	100 %	Non-trading	UK	Masters House, 107 Hammersmith Road, London W14 0QH
Telecity UK Limited		Ordinary	100 %	Non-trading	UK	Masters House, 107 Hammersmith Road, London W14 0QH
TelecityGroup S.A.	Spain	Ordinary	100 %	Non-trading	Spain	C/Gurtubay 6, 1 Izquierda, 28001 Madrid, Spain

### 7. Cash and cash equivalents

Cash and cash equivalents consists mainly of bank accounts.

### 8. Shareholders' equity

	Issued share capital	Retained earnings	Profit for the year	Total
	\$'000	\$'000	\$'000	\$'000
Balance as at 18 May 2015	-	-	-	-
Issuance share capital appropriation	1,100,000			1,100,000
Dividend distribution / reduction share capital	(1,100,000)	(1,100,000)		(2,200,000)
Result for the year	-		1,100,001	1,100,001
<b>Balance as at 31 December 2016</b>	<b>-</b>	<b>(1,100,000)</b>	<b>1,100,001</b>	<b>1</b>

Equinix (EMEA) Acquisition Enterprises BV was incorporated in on 18 May 2015 and initially issued one share of \$1 at nominal value. On 22 January 2016 Equinix (EMEA) Acquisition Enterprises By, subscribed for an additional ordinary 1,100,000 shares of \$1 each.

On 12 December 2016, the Company passed a resolution to reduce its capital and paid a dividend in specie in the amount of \$1,100.0 m to Equinix (EMEA) Management Inc.

#### **Proposed appropriation of result for the financial year 2016**

The board of directors proposes, with the approval of the supervisory board, that the result for the financial year 2016 amounting to 1,100,000,944 USD should be transferred to Retained Earnings.

## Notes to the balance sheet and income statement

### Dividends paid

On 12 December 2016 the Company paid a dividend in specie in the amount of \$1,100.0 m to Equinix (EMEA) Management Inc. which was satisfied by the assignment by the Company of certain intercompany receivables.

### Dividends received

On 12 December 2016 the Company received a dividend in specie in the amount of \$1,100.0 m from Equinix (UK) Acquisition Enterprises Ltd. which was satisfied by the assignment by the Company of certain intercompany receivables.

### 9. Lease liabilities not presented in the Balance Sheet

The company has the following operating leases not presented on the balance sheet:

	Within 1 Year	1 - 2 Years	2 - 3 Years	3 - 4 Years	4 - 5 Years	5+ Years	Total
Lease Commitments	-	-	-	-	-	-	-

## Notes to the profit & loss account

### Remuneration of directors

The Company has one director, Eric Schwartz, who is remunerated by Equinix (Netherlands) B.V. and was not recharged to the Company.

### Average number of employees

During the fiscal year no employees were employed.

### Financial income and expense

### 10. Interest and similar income

	2016 \$'000
Foreign exchange gain	1
	1

## Notes to the balance sheet and income statement

### 11. Interest and similar charges

	<u>2016</u> <u>\$'000</u>
Foreign exchange loss	<u>-</u> <u>-</u>

### 12. Income from share in group undertakings

	<u>2016</u> <u>\$'000</u>
Dividend receivable from subsidiary companies	<u>1,100,000</u> <u>1,100,000</u>

On 12 December 2016 the Company received a dividend in specie in the amount of \$1,100.0 m from Equinix (UK) Acquisition Enterprises Ltd. which was satisfied by the assignment by the Company of certain intercompany receivables.

Amsterdam,



Eric Schwartz  
Director



## **Other Information**

### **Statutory arrangements in respect of profit distribution**

*According to Article 23 of the Company's articles of incorporation, the annual meeting of the shareholders determines the appropriation of the Company's net result for the year. The company has a sole shareholder being Equinix (EMEA) Management Inc, One Lagoon Drive, Redwood City, CA, 94065, United States. The shareholder has the right to appoint directors, the right to be consulted before the company takes a particular action and voting rights.*

### **Appropriation of the result for the year**

The Board of Directors proposes that the result for the year ended on 31 December 2016 amounting to USD 1,100,000,844 will be carried forward to retained earnings.

### **Subsequent events**

The Company concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

### **Independent auditor's report**

As per article 396, Part 9, Book 2 of the Dutch Civil Code, financial statements are not subject to audit.



## ARTICLES OF ASSOCIATION

### Definition of terms

#### Article 1

In these articles of association, the following terms have the following meanings:

- a. **general meeting:** the corporate body of the company formed by the shareholders or, as the case may be, the meeting of the holders of a meeting right;
- b. **depository receipts:** depository receipts for shares in the company's capital;
- c. **subsidiary:** a legal entity or company as referred to in article 2:24a Dutch Civil Code;
- d. **annual accounts:** the balance sheet and the profit and loss account, plus the explanatory notes thereto;
- e. **written/in writing:** in the form of any message transmitted and received in writing via any normal means of communication, including fax or e-mail;
- f. **holder of a meeting right:** party who, pursuant to the law or these articles of association, holds a meeting right;
- g. **meeting right:** the right to attend and address the general meeting, either in person or by written proxy.

### Name and corporate seat

#### Article 2

- 2.1 The company's name is **Equinix (EMEA) Acquisition Enterprises B.V.**
- 2.2 The company has its corporate seat in Amsterdam, the Netherlands.

### Objects

#### Article 3

The objects of the company are:

- a. to incorporate, conduct the management of, participate in and take any other financial interest in other companies and/or enterprises;
- b. to render administrative, technical, financial, economic or managerial services to other companies, persons and/or enterprises;
- c. to acquire, dispose of, manage and operate real property, personal property and other goods, including patents, trademark rights, licences, permits and other industrial property rights;



**Equinix (EMEA) Acquisition Enterprises B.V.**

*Complete text of the articles of association*

December 12, 2016

The articles of association of Equinix (EMEA) Acquisition Enterprises B.V., a private company with limited liability, having its corporate seat in Amsterdam, the Netherlands, were most recently amended by notarial deed, executed on December 12, 2016 before K.F. Tan, civil-law notary in Amsterdam.

## **ARTICLES OF ASSOCIATION**

### **Definition of terms**

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- a. general meeting: the corporate body of the company formed by the shareholders or, as the case may be, the meeting of the holders of a meeting right;
- b. depositary receipts: depositary receipts for shares in the company's capital;
- c. subsidiary: a legal entity or company as referred to in article 2:24a Dutch Civil Code;
- d. annual accounts: the balance sheet and the profit and loss account, plus the explanatory notes thereto;
- e. written/in writing: in the form of any message transmitted and received in writing via any normal means of communication, including fax or e-mail;
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- c. to acquire, dispose of, manage and operate real property, personal property and other goods, including patents, trademark rights, licences, permits and other industrial property rights;

- d. to borrow and/or lend monies, provide security or guarantee or otherwise warrant performance jointly and severally on behalf of others,

the foregoing whether or not in collaboration with third parties and inclusive of the performance and promotion of all activities which directly and indirectly relate to those objects, all this in the broadest sense of the words.

## Shares and depositary receipts

### Article 4

- 4.1 The company has an issued share capital divided into one (1) or more shares.
- 4.2 At least one (1) share must be held by a party other than the company or one (1) of its subsidiaries and for a purpose other than to benefit the company or one (1) of its subsidiaries.
- 4.3 The shares have a nominal value of one United States Dollar (USD 1.00) each.
- 4.4 All shares are registered and are numbered consecutively from 1 onwards. No share certificates shall be issued. Attached to each share is a voting right, a meeting right and a right to share in the company's profits and reserves, in accordance with the provisions of these articles of association.
- 4.5 No meeting right is attached to depositary receipts. In deviation of the provision in the preceding sentence, the general meeting is authorized to attach or to cancel the meeting right in relation to one (1) or more depositary receipts.

## Shareholders' register

### Article 5

- 5.1 The company's board of managing directors shall keep a register in which the names and addresses of all the shareholders are recorded, specifying the date on which they acquired their shares, the date of acknowledgment by or service upon the company, the type or class of the shares and the amount paid up on each share. Should a shareholder be exempt from an obligation, requirement or suspension of rights as defined in article 2:192 paragraph 1 Dutch Civil Code under the articles of association, that exemption shall be noted. The register shall also contain the names and addresses of all holders of a usufruct or right of pledge on shares, specifying the date on which they acquired such usufruct or right of pledge, the date of acknowledgment by or service upon the company and the rights attached to the shares which are vested in them in accordance with articles 11 and 29 of these

articles of association. The names and addresses of the holders of depositary receipts to which a meeting right is attached shall be recorded in the register, specifying the date on which the meeting right was attached to their depositary receipts and the date of acknowledgement by or service upon the company.

- 5.2 Shareholders and others whose details must be included in the shareholders' register pursuant to paragraph 1 of this article shall provide the board of managing directors with the required details in a timely fashion. If an electronic address is also provided for inclusion in the shareholders' register, such provision shall be deemed the permission of the relevant shareholder or other holder of a meeting right to be sent all notifications and announcements, as well as convocations to general meetings, by electronic means.
- 5.3 The register shall be updated regularly and the grant of each release from liability for payments not yet made shall be recorded therein. All entries or notes in the register shall be signed by a managing director.
- 5.4 Further to a request to that effect, the board of managing directors shall provide each shareholder, usufructuary, pledgee or holder of a depositary receipt to which a meeting right is attached with an extract from the register relating to its entitlement to its share or depositary receipt, free of charge. If a usufruct or right of pledge has been created on a share, the extract will specify to whom the rights referred to in articles 11 and 29 of these articles of association accrue.
- 5.5 The board of managing directors shall make the register available at the company's offices for inspection by the shareholders as well as by the usufructuaries or pledgees to whom the rights referred to in articles 11 and 29 of these articles of association accrue as well as to holders of depositary receipts to which is attached a meeting right. The particulars in the register in respect of shares which have not been paid up in full shall be available for public inspection and a copy or an extract of such particulars shall be provided at no more than cost.

## Issue of shares

### Article 6

- 6.1 The company may only issue shares pursuant to a resolution of the general meeting. The general meeting may delegate its powers in this respect to another corporate body of the company and may revoke such delegation.

- 6.2 Paragraph 1 of this article shall apply *mutatis mutandis* to the granting of rights to subscribe for shares but will not apply to the issuing of shares to persons exercising a previously obtained right to subscribe for shares.

## Conditions for issuing of shares. Pre-emptive rights

### Article 7

- 7.1 Any resolution to issue shares shall also specify the issue price and any further conditions in connection with the issue. The issuing of shares shall require a notarial deed to be executed for that purpose before a civil-law notary practicing in the Netherlands, to which those involved are party.
- 7.2 With due observance of the restrictions stipulated by law, each shareholder shall have a pre-emptive right on any further share issue, in proportion to the aggregate amount of his shares.
- 7.3 Shareholders shall have a similar pre-emptive right with respect to the granting of rights to subscribe for shares.
- 7.4 The pre-emptive rights may be limited or suspended for each single issue by the corporate body of the company authorized to issue shares.

## Payment on shares

### Article 8

- 8.1 On subscription for a share, payment must be made of its nominal value. The company may require that the nominal value or a part thereof must first be paid after a certain period of time or after the company has requested such payment.
- 8.2 Payment on a share must be made in cash unless another form of contribution has been agreed. The company's permission is required to pay on shares in a currency other than that in which the nominal value of the shares is denominated.

## Acquisition of shares by the company in its own capital

### Article 9

- 9.1 The company may only acquire shares in its own capital pursuant to a resolution of the board of managing directors.
- 9.2 Any acquisition by the company of shares in its own capital that are not fully paid up shall be null and void.
- 9.3 Unless it acquires such shares free of charge, the company may not acquire fully paid-up shares in its own capital if the amount of its equity, less the acquisition price, is less

than the reserves that the company must maintain by law or pursuant to these articles of association or if the board of managing directors knows or could reasonably be expected to foresee that the acquisition would make the company unable to continue paying any of its due and payable debts.

- 9.4 If, after making such an acquisition that was not made free of charge, the company is unable to continue paying its due and payable debts, the managing directors shall, subject to the provisions of law, be jointly and severally liable to the company for the shortfall created by the acquisition. A party disposing of shares who knows or could reasonably be expected to foresee that the acquisition would make the company unable to continue paying any of its due and payable debts shall be liable to the company for payment of the shortfall created by the acquisition of that party's shares, with said liability not to exceed the acquisition price of the shares it disposed to the company and with due observance of the provisions of law.
- 9.5 The provisions in the preceding paragraphs shall not apply to shares acquired by the company by operation of law.
- 9.6 Any acquisition of shares at the expense of the reserves referred to in paragraph 3 of this article shall be null and void. The managing directors shall be jointly and severally liable to a good faith seller of shares who incurs a loss as a result of a sale being declared null and void.
- 9.7 The term 'shares' as used in this article shall be taken to include depositary receipts.

## Capital reduction

### Article 10

With due observance of article 4 paragraph 2 of these articles of association, the general meeting may resolve to reduce the issued capital of the company, either by a cancellation of shares or by a reduction of the nominal value of the shares by means of an amendment of the articles of association. Such resolution shall have no effect as long as it has not been approved by the board of managing directors. The provisions of article 2:208, as well as article 2:216 paragraphs 2 up to and including 4 Dutch Civil Code shall apply accordingly to the aforementioned resolution.

## Transfer of shares and depositary receipts. Restricted rights

### Article 11

- 11.1 The transfer of shares and the transfer – including the creation and disposal – of any restricted rights attached to shares shall require a notarial deed to be executed for that purpose before a civil-law notary practicing in the Netherlands, to which those involved are party.
- 11.2 The transfer in accordance with paragraph 1 of this article will also be valid vis-à-vis the company by operation of law. Unless the company is a party to the legal act, the rights attached to shares cannot be exercised until the company either acknowledges the legal act or the notarial deed has been served upon the company in accordance with the relevant statutory provisions.
- 11.3 The provisions of paragraph 2 of this article shall apply *mutatis mutandis* to the transfer of depositary receipts to which a meeting right is attached.
- 11.4 A shareholder may create a usufruct or right of pledge on one or more of his shares.
- 11.5 The voting right attached to the shares encumbered with a usufruct or right of pledge shall be vested in the shareholder. The voting right may be vested in the usufructuary or pledgee if this is stipulated on the establishment of the usufruct or right of pledge or if this is agreed afterwards in writing between the shareholder and the usufructuary or pledgee, provided that both this provision and – in the case of a transfer of the usufruct or if another party succeeds to the rights of the pledgee – the transfer of the voting right is approved by the general meeting.
- 11.6 The provisions of paragraph 2 of this article shall apply *mutatis mutandis* to a written agreement as referred to in paragraph 5 of this article, above.

## Transferability of shares

### Article 12

Shares can be transferred freely and without any restrictions as referred to in article 2:195 Dutch Civil Code.

## Board of managing directors

### Article 13

- 13.1 The board of managing directors consists of one (1) or more managing, with the actual number being determined by the general meeting. Each managing director of the company has the title of director (*directeur*).
- 13.2 The managing directors are appointed by the general meeting.



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- 13.3 For the purposes of article 9 paragraph 4, article 10 and article 23 paragraph 3 of these articles of association, a person who has determined or co-determined the company's policies as if he or she were a managing director shall be considered equivalent to a managing director, including the same responsibilities and liabilities.

## Suspension and dismissal

### Article 14

- 14.1 The general meeting is authorized to suspend or dismiss a managing director from office at any time.
- 14.2 Any such suspension may be extended once or more often, but will be limited to a total of three (3) months. Such suspension shall expire on lapse of this period unless a resolution has been adopted either to lift the suspension or to dismiss the managing director prior to the end of this period.

## Remuneration

### Article 15

The general meeting determines the remuneration and other terms and conditions of employment of each managing director.

## Managerial duties

### Article 16

- 16.1 Subject to the restrictions set forth in these articles of association and with due observance of the law, the board of managing directors is charged with the management of the company.
- 16.2 The board of managing directors may adopt rules and regulations governing its decision-making process.
- 16.3 The board of managing directors may make a division of duties, specifying the individual duties of each managing director. Such division of duties shall require the approval of the general meeting.

## Meetings of the board of managing directors

### Article 17

- 17.1 The board of managing directors shall meet as often as a managing director requests a meeting.
- 17.2 Each managing director is authorized to convene a meeting of the board of managing directors in writing, specifying the topics to be discussed. Such

convocation shall take place no later than five (5) days prior to the day of the meeting.

- 17.3 A summary reflection of the matters addressed at the meeting must be recorded in the minutes.
- 17.4 A managing director may be represented at the meeting by a fellow managing director authorized by written power of attorney.
- 17.5 No legally valid resolutions may be passed with regard to items that are not included in the agenda, the written convening notice or which have not been announced as prescribed or within the prescribed convocation term, unless the managing directors unanimously agree that resolutions on these items shall be passed.

#### Resolutions of the board of managing directors. Conflict of interest

##### Article 18

- 18.1 The board of managing directors adopts resolutions by an absolute majority of the votes cast. Each managing director has a right to cast one (1) vote. In the event the votes are equally divided, the proposal is rejected.
- 18.2 A managing director with a direct or indirect personal interest that conflicts with the company's interest may not take part in the deliberations or decision-making. If no resolution can be adopted by the board of managing directors as result thereof, such resolution must be adopted by the general meeting or by a corporate body as appointed by the general meeting for that purpose, which corporate body - notwithstanding the provisions of this paragraph - may also be the board of managing directors.
- 18.3 The board of managing directors may adopt resolutions outside meetings provided that all its members have agreed with this method of decision-making and have expressed themselves regarding the proposal concerned in writing.

#### Representative authority

##### Article 19

- 19.1 The board of managing directors represents the company. The authority to represent the company is also vested in each managing director individually.
- 19.2 The board of managing directors may appoint officers with a limited or unlimited power of attorney. Each officer will represent the company within the scope of his

authority. The officers' titles are determined by the board of managing directors.

## Approval of board resolutions

### Article 20

- 20.1 The general meeting is authorized to make subject to its approval resolutions by the board of managing directors. Any such resolution must be clearly described and reported to the board of managing directors in writing.
- 20.2 The absence of approval as defined in this article will not impair the representative authority of the board of managing directors or of the managing directors.

## Absence. Inability to act

### Article 21

If one or more managing director(s) is/are absent or unable to perform his/their duties, the remaining managing director or managing directors shall be temporarily charged with the management of the company. In the event of the absence or inability to act of all the managing directors or the sole managing director, a person appointed for that purpose by the general meeting shall be temporarily charged with the management of the company.

## Financial year. Annual accounts

### Article 22

- 22.1 The financial year corresponds with the calendar year.
- 22.2 The board of managing directors is required to draw up the annual accounts within five (5) months of the end of the company's financial year, unless this period has been extended by a maximum of six (6) months by the general meeting on account of special circumstances.
- 22.3 The annual accounts must be signed by the managing directors; if one or more of their signatures is missing, this shall be stated giving the reason therefore.
- 22.4 The general meeting adopts the annual accounts.
- 22.5 A resolution to adopt the annual accounts shall not automatically discharge a managing director. The general meeting may resolve to grant one or more managing directors full or partial discharge.
- 22.6 If all of the shareholders are also managing directors of the company, the signing of the annual accounts by all of the managing directors shall not be considered an adoption as referred to in paragraph 4 of this article.
- 22.7 If so required by law, the company shall instruct a qualified auditor to examine its

accounts and records. The general meeting is authorized to appoint the auditor. If the general meeting fails to appoint the auditor, the board of managing directors is authorized to do so. The appointment of the auditor may be withdrawn for good reasons with due observance of article 2:393 paragraph 2 Dutch Civil Code.

- 22.8 The statutory provisions apply to the annual report, the additional data to be added, the auditor's report and the publication of the annual report.

## Profits

### Article 23

- 23.1 The general meeting is authorized to allocate the profit determined by adopting the annual accounts and to resolve on any distributions, to the extent that the company's equity exceeds the reserves that the company must maintain pursuant to the law or these articles of association.
- 23.2 A resolution intending a distribution shall not be effected until the board of managing directors approves such resolution. The board of managing directors shall withhold such approval only if it knows, or could reasonably be expected to foresee, that the distribution would make the company unable to continue paying any of its due and payable debts.
- 23.3 If, after making such a distribution, the company is unable to continue paying its due and payable debts, the managing directors shall, subject to the provisions of prevailing law, be jointly and severally liable to the company for the shortfall created by the distribution. A party receiving such distribution who knows or could reasonably be expected to foresee that the distribution would make the company unable to continue paying any of its due and payable debts shall be liable to the company for payment of the shortfall created by the distribution, with said liability not to exceed the amount of the distribution received by that party and with due observance of the provisions of prevailing law.
- 23.4 In calculating the profit distribution, the shares held by the company in its own capital will not be taken into account.
- 23.5 In calculating the amount to be distributed on each share, only the amount of the obligatory payments on the nominal amount of the shares will be taken into account.
- 23.6 A claim of a shareholder to receive a distribution expires after five (5) years.

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## General meetings

### Article 24

- 24.1 At least once during each financial year, either a general meeting shall be held, or resolutions shall be passed in accordance with article 31 paragraph 1 of these articles of association, or the annual accounts shall be adopted with due observance of the provisions of article 22 paragraph 6 of these articles of association.
- 24.2 The agenda for such general meeting as mentioned in paragraph 1 of this article shall, among other things, include the following items:
- a. the annual report;
  - b. adoption of the annual accounts;
  - c. discharging the managing directors for the management they performed in the past financial year;
  - d. allocation of result;
  - e. the filling of any vacancies;
  - f. other proposals by the board of managing directors or shareholders or others entitled to cast votes and/or other holders of a meeting right, provided that these proposals have been raised and announced with due observance of the provisions of article 26 of these articles of association.

## Other meetings

### Article 25

- 25.1 Without prejudice to the provisions of article 24 paragraph 1 of these articles of association, other general meetings shall be held as often as the board of managing directors or a single managing director considers necessary.
- 25.2 One or more shareholders who, alone or together, represent at least one one-hundredth (1/100) of the issued capital may submit a written request to the board of managing directors to convene a general meeting, provided that such request contains a detailed description of the items to be addressed at said meeting. The board of managing directors will take the steps necessary to ensure that the general meeting is held within four (4) weeks of its receipt of such request, except in the event of a countervailing substantial company interest.
- 25.3 For the purposes of the application of this article, shareholders shall be equated with other holders of a meeting right.

## Convocation of meetings. Agenda

### Article 26

- 26.1 General meetings are convened by the board of managing directors or a single managing director, without prejudice to the provisions laid down in article 25 paragraph 2 of these articles of association.
- 26.2 Convocation shall take place in writing to the addresses recorded in the register of shareholders with due observance of article 5 paragraph 2 of these articles of association and no less than on the eighth (8th) day prior to the day of the meeting.
- 26.3 The convening notice shall specify the matters to be addressed at the general meeting. Any matters not specified in the convening notice may be announced later, with due observance of the requirements of paragraph 5 of this article.
- 26.4 Shareholders and other holders of a meeting right who jointly represent at least one one-hundredth (1/100) part of the issued capital shall be entitled to request the board of managing directors to place one (1) or more matters on the agenda for the next general meeting. The board of managing directors shall place such matter(s) on the agenda except in the event of a countervailing substantial company interest. If the convening notice referred to in paragraph 2 of this article for the next meeting has already been sent out and there are fewer than thirty (30) days between the request for matters to be placed on the agenda and the day of the next meeting, the said matters shall be placed on the agenda for the meeting following that next meeting.
- 26.5 No legally valid resolutions may be passed with regard to items that are not included in the agenda, the written convening notice or which have not been announced as prescribed or within the prescribed convocation term, unless all holders of a meeting right have agreed with the decision-making on these items and the managing directors have been given the opportunity to advise on the items to be resolved upon prior to the adoption thereof.

## Venue for general meetings

### Article 27

General meetings shall be held in the municipality in which the company has its corporate seat, its head office, or in the municipality of Haarlemmermeer (Schiphol Airport). A general meeting may be held elsewhere, provided that all holders of a meeting right have

# Baker McKenzie.

agreed with the meeting venue and the managing directors have been given the opportunity to advise on the items to be resolved upon prior to the adoption thereof.

## Chair. Minutes.

### Article 28

- 28.1 The general meeting shall appoint its own chairperson. The chairperson appoints a secretary.
- 28.2 The secretary shall take minutes of the proceedings at each general meeting. The said minutes shall be confirmed and signed in evidence thereof by the chairperson and the secretary.
- 28.3 The chairperson or the party who convened the meeting may resolve to have a notarial report made of the proceedings at the meeting. Such notarial report shall be co-signed by the chairperson.
- 28.4 The board of managing directors is required to keep records of the resolutions adopted by the general meeting and deposit them at the company's office for inspection by the shareholders and other holders of a meeting right. Upon request, each shareholder and holder of a meeting right will be provided with a copy of or excerpt from the records at no more than cost.
- 28.5 If the board of managing directors is not represented at a meeting, the chairperson of the meeting is responsible for ensuring that the board of managing directors is given a copy of the resolutions adopted as soon as possible after the meeting.

## Meeting right. Right to attend

### Article 29

- 29.1 A meeting right is allocated to shareholders, holders of depositary receipts for shares to which a meeting right is attached and to usufructuaries and pledgees who hold voting rights. Usufructuaries and pledgees who do not hold voting rights shall not have a meeting right unless provisions to the contrary were agreed upon the creation or transfer of the usufruct or right of pledge.
- 29.2 Each holder of a meeting right or its representative who attends a meeting must sign the attendance list.
- 29.3 Each holder of a meeting right or its representative participating in the general meeting by way of electronic means of communication shall be identified by the chairperson in the manner as stated in the terms and conditions mentioned in

paragraph 6 of this article. The name of the holder of a meeting right and the name of any representative participating in the general meeting by way of electronic means of communication shall be added to the attendance list.

- 29.4 The managing directors have, in that capacity, an advisory vote at general meetings.
- 29.5 The general meeting may resolve to allow persons, other than those referred to in this article, to attend general meetings of shareholders.
- 29.6 The board of managing directors may determine that a holder of a meeting right or its representative may attend and address general meetings, and, insofar as possible, exercise its voting right by electronic means of communication. The board of managing directors sets the terms and conditions for electronic participation to the meeting as mentioned in the previous sentence and announces those in the convening notice. These conditions in any case encompass the method by which the holder of a meeting right or its representative can (i) be identified through the electronic means of communication, (ii) take direct cognisance of the proceedings at the meeting and (iii) insofar as possible, exercise its voting right.

#### Resolutions of the general meeting

##### Article 30

- 30.1 Resolutions are passed by an absolute majority of the votes cast, unless the law or these articles of association require a greater majority.
- 30.2 Each share confers the right to cast one (1) vote. No votes may be cast during the general meeting for a share held by the company or any of its subsidiaries; nor for shares of which either of them holds the depositary receipts.
- 30.3 If there is a tie in voting at the election of persons, a drawing of lots shall determine the issue. If there is a tie in voting on other matters, the proposal shall be considered rejected.
- 30.4 Blank votes and invalid votes will be deemed not to have been cast.
- 30.5 The conditions as referred to in article 29 paragraph 6 of these articles of association mention the manner in which a shareholder or its representative may participate in the voting by way of electronic means.

#### Resolutions adopted outside a meeting

##### Article 31



# Baker McKenzie.

- 31.1 Shareholder resolutions may be adopted outside meetings, provided that all holders of a meeting right have agreed with this method of decision-making. The managing directors must be given the opportunity to advise on the items to be resolved upon prior to the adoption thereof.
- 31.2 If resolutions are passed outside meetings, the votes shall be cast in writing. The requirement that votes be cast in writing may also be satisfied if the resolution is adopted in writing and includes a statement of the method by which each of the shareholders cast its vote.

## Amendment to the articles of association

### Article 32

The general meeting is authorized to adopt a resolution to amend the articles of association. If a proposal to amend the articles of association is submitted to the general meeting, this must always be stated in the notice convening the general meeting and simultaneously a copy of the proposal containing the proposed amendment verbatim must be deposited at the company's office for inspection by the shareholders and other holders of a meeting right until the end of the meeting.

## Dissolution and liquidation

### Article 33

- 33.1 The general meeting is authorized to adopt a resolution to dissolve the company. If a resolution is to be proposed to the general meeting for dissolving the company, such shall be stated in the convening notice.
- 33.2 In the event of the company being dissolved, the managing directors shall be the liquidators of the assets of the dissolved company, unless the general meeting appoints other persons to do so.
- 33.3 The liquidators have the same powers, duties and liabilities as managing directors, insofar as such is compatible with their task as liquidator.
- 33.4 Any surplus assets remaining after the company's debts have been settled shall be distributed to the shareholders in proportion to the aggregate nominal value of their individual shareholding.
- 33.5 After the company has ceased to exist, the company's accounts, records and other data carriers must be kept for seven (7) years by the person designated for that purpose by the general meeting.

**Registered number: 3607764**

<b>TELECITYGROUP UK LIMITED</b>
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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

<b>TELECITYGROUP UK LIMITED</b>
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**COMPANY INFORMATION**

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

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**TELECITYGROUP UK LIMITED**

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## TELECITYGROUP UK LIMITED

### 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.

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<b>TELECITYGROUP UK LIMITED</b>
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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**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.

**TELECITYGROUP UK LIMITED**

**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

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**TELECITYGROUP UK LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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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.



**TELECITYGROUP UK LIMITED**

**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**

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### **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.

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## **Opinions on other matters prescribed by the Companies Act 2006**

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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.

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## **Other matters on which we are required to report by exception**

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### **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.

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### **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.

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## **Responsibilities for the financial statements and the audit**

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### **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.

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

**TELECITYGROUP UK LIMITED**

**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)
<b>Gross profit</b>		<b>50,374</b>	<b>85,576</b>
Sales and marketing costs		(3,765)	(5,373)
Administrative costs		(25,151)	(31,629)
Operating exceptional items	6	-	(560)
<b>Operating profit</b>	7	<b>21,458</b>	<b>48,014</b>
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)
<b>Profit before taxation</b>		<b>990,586</b>	<b>43,945</b>
Tax on profit	15	8,245	(7,494)
<b>Profit for the financial year and total comprehensive income</b>		<b>998,831</b>	<b>36,451</b>

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

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

**TELECITYGROUP UK LIMITED**  
**REGISTERED NUMBER: 3607764**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2016**

	Note	2016 £000	2015 £000
<b>Fixed assets</b>			
Tangible fixed assets	17	-	256,437
<b>Current assets</b>			
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	(1,837)	(58,913)
<b>Total assets less current liabilities</b>		<u>7,604</u>	<u>252,264</u>
Creditors: amounts falling due after more than one year	21	-	(167,609)
<b>Net assets</b>		<u>7,604</u>	<u>84,655</u>
<b>Capital and reserves</b>			
Called up share capital	24	-	2,500
Share premium account	25	-	10,000
Retained earnings	25	7,604	72,155
<b>Total shareholders' funds</b>		<u>7,604</u>	<u>84,655</u>

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.

**TELECITYGROUP UK LIMITED**

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

	Called up share capital £000	Share premium account £000	Retained earnings £000	Total shareholders' funds £000
At 1 January 2016	2,500	10,000	72,155	84,655
<b>Comprehensive income for the year</b>				
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	-
<b>At 31 December 2016</b>	<b>-</b>	<b>-</b>	<b>7,604</b>	<b>7,604</b>

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

	Called up share capital £000	Share premium account £000	Retained earnings £000	Total shareholders' funds £000
At 1 January 2015	2,500	10,000	71,855	84,355
<b>Comprehensive income for the year</b>				
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)
<b>At 31 December 2015</b>	<b>2,500</b>	<b>10,000</b>	<b>72,155</b>	<b>84,655</b>

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

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**TELECITYGROUP UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**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.

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**TELECITYGROUP UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**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'.



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**TELECITYGROUP UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**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.

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**TELECITYGROUP UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**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.

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**TELECITYGROUP UK LIMITED**

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**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.

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**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.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**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.

**TELECITYGROUP UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**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
	<u>          </u>	<u>          </u>

**8. Interest receivable and similar income**

	2016 £000	2015 £000
Bank and other interest	15	4
	<u>          </u>	<u>          </u>

**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)
	<u>          </u>	<u>          </u>
	<u>3,098</u>	<u>4,072</u>

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	-
	<u>          </u>	<u>          </u>
	<u>972,211</u>	<u>-</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**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)
	<u>-</u>	<u>(1)</u>

**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
	<u>10,106</u>	<u>16,889</u>

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
	<u>200</u>	<u>273</u>

**TELECITYGROUP UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**13. Directors' remuneration**

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

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

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**

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



**TELECITYGROUP UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**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 £000	2015 £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)	-
<b>Total tax charge for the year</b>	<b>(8,245)</b>	<b>7,494</b>

**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.

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**16. Dividends**

	2016 £000	2015 £000
Dividends paid in total	<b>1,075,882</b>	<b>37,000</b>

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
<b>Cost</b>					
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	-	-	-	-	-
<b>Accumulated depreciation</b>					
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	-	-	-	-	-
<b>Net book value</b>					
At 31 December 2016	-	-	-	-	-
At 31 December 2015	46,868	128,293	25,625	55,651	256,437

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**NOTES TO THE FINANCIAL STATEMENTS  
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**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
<b>Due after more than one year</b>		
Rent deposit	-	262
Other receivables	-	34
	<u>-</u>	<u>296</u>
	2016 £000	2015 £000
<b>Due within one year</b>		
Amounts owed by group companies	9,241	7,788
Other receivables	-	245
Prepayments and accrued income	-	5,026
	<u>9,241</u>	<u>13,059</u>

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
	<u>-</u>	<u>4,979</u>

**TELECITYGROUP UK LIMITED**

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**20. Creditors: Amounts falling due within one year**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
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
	<u>1,637</u>	<u>58,913</u>

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

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

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**

	<b>Dilapidations</b>
	<b>£'000</b>
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.

**TELECITYGROUP UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**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
<b>Land and buildings</b>		
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
	<u>3,435</u>	<u>385,234</u>

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
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
1 (2015 - 2,500,502) Ordinary share of £1 each	<u>-</u>	<u>2,500</u>

**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 issued 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.

**TELECITYGROUP UK LIMITED**

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**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
<b>Charge to Statement of comprehensive income</b>		
Restricted stock units	<b>579</b>	<b>578</b>

**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.

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**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.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**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**

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



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**NOTES TO THE FINANCIAL STATEMENTS  
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**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)
<b>Net assets/(liabilities)</b>	<b>(52)</b>

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)
<b>Net assets</b>	<b>2,329</b>

Satisfied by

Intercompany receivable	2,329
Surplus arising from sale	-

**TELECITYGROUP UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**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:**

	<b>Net book value £000</b>
Tangible fixed assets	226,410
Debtors	26,066
Cash at bank and in hand	6,949
Creditors	(48,477)
<b>Net assets</b>	<b>210,948</b>
 <b>Satisfied by</b>	
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 0QH. 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.

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FOR THE YEAR ENDED 31 DECEMBER 2016**

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**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.