

# NOTES TO THE FINANCIAL STATEMENTS

## 1. General information

The Company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is Masters House, 107 Hammersmith Road, London W14 0QH.

The Company has its primary listing on the London Stock Exchange.

This condensed consolidated half year financial information, which comprises the Operational Review, the Financial Review, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and notes 1 to 11 to the financial statements, does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2008 were approved by the Board of Directors on 30 January 2009 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 237 of the Companies Act 1985.

This condensed consolidated half year financial information has been reviewed, not audited.

## 2. Basis of preparation

This condensed consolidated half year financial information for the six months ended 30 June 2009 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting', as adopted by the European Union. The condensed consolidated half year financial information, which includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with IFRS as adopted by the European Union.

This condensed consolidated half year financial information, including the responsibility statement in the preceding paragraph made in accordance with DTR 4.2.10 (1), was approved on behalf of the Board by Michael Tobin and Brian McArthur-Muscroft on 31 July 2009.

## 3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008. As described in the Group's 2008 Annual Report, during that year the Group changed its accounting policy in respect of certain costs of construction. The change in accounting policy occurred after the publication of the 2008 Interim Statement, accordingly the financial information in respect of that period has been restated. The financial effect of the restatement in the six months to 30 June 2008 is to increase profit after tax by £1,193,000 and increase net assets by £1,878,000. In addition, following a court order pursuant to Section 138 of the Companies Act 1985, dated 4 July 2007, a distributable amount of £102,456,000 previously contained within the share premium account has been reclassified to the profit and loss reserve.

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. One such significant estimate is the estimated remaining useful lives of property, plant and equipment. In accordance with IAS 16, the Group has a policy of reviewing the residual useful lives of the data centres at least annually. As at the last balance sheet date, the Group performed such a review in respect of its leasehold improvements and plant and machinery, the financial effect of which is to reduce the depreciation charge for the period by £600,000.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual earnings.

# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

## 3. Accounting policies continued

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009:

➤ IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

➤ IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Following a review of the Group's internal management information, the previously reported operating segments of the UK and Ireland and the Rest of Europe remain appropriate.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors.

Goodwill is allocated by management to groups of cash-generating units on a segment level.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group:

➤ IFRIC 13, 'Customer loyalty programmes';

➤ IFRIC 14, 'The limit on a defined benefit asset minimum funding requirements and their interaction';

➤ IFRIC 15, 'Agreements for the construction of real estate';

➤ IFRIC 16, 'Hedges of a net investment in a foreign operation'; and

➤ IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

➤ IFRS 3 (revised), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group. The Group does not have any joint ventures.

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) to all business combinations from 1 January 2010, subject to endorsement by the EU.

➤ IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

➤ IFRIC 18, 'Transfers of assets from customers', effective for transfers of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

#### 4. Segmental information

The chief operating decision-maker has been identified as the Board of Directors. This committee reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The committee considers the business from both a geographic and services perspective. On a geographic basis management assesses the performance of the UK and Ireland and the Rest of Europe. Revenue is further assessed from a services perspective between Colocation and Value Added Services ('VAS').

The Board of Directors assessed the performance of the operating segments based primarily on the measures of revenue and EBITDA. Other information provided, except as noted below, to the Board of Directors is measured in a manner consistent with that in the financial statements.

Certain assets and liabilities, for example cash deposits and bank borrowings, are managed on a central basis and as such have not been allocated to individual segments.

	Six months ended 30 June 2009			Six months ended 30 June 2008 <sup>(1)</sup>		
	UK and Ireland £'000	Rest of Europe £'000	Total £'000	UK and Ireland £'000	Rest of Europe £'000	Total £'000
<b>Revenue</b>	<b>42,313</b>	<b>39,932</b>	<b>82,245</b>	<b>36,747</b>	<b>25,114</b>	<b>61,861</b>
Cost of sales	(20,875)	(19,323)	(40,198)	(20,789)	(13,265)	(34,054)
<b>Gross profit</b>	<b>21,438</b>	<b>20,609</b>	<b>42,047</b>	<b>15,958</b>	<b>11,849</b>	<b>27,807</b>
Depreciation and amortisation charges	(5,789)	(7,009)	(12,798)	(4,946)	(5,456)	(10,402)
Other operating expenses	(6,128)	(6,562)	(12,690)	(5,581)	(5,474)	(11,055)
<b>Operating profit</b>	<b>9,521</b>	<b>7,038</b>	<b>16,559</b>	<b>5,431</b>	<b>919</b>	<b>6,350</b>
Finance income			4,800			4,006
Finance costs			(6,663)			(2,172)
<b>Profit before tax</b>			<b>14,696</b>			<b>8,184</b>
Income tax (charge)/credit			(1,019)			2,404
<b>Profit for the period</b>			<b>13,677</b>			<b>10,588</b>

<b>EBITDA</b>	<b>15,310</b>	<b>14,047</b>	<b>29,357</b>	<b>10,377</b>	<b>6,375</b>	<b>16,752</b>
Depreciation and amortisation charges	(5,789)	(7,009)	(12,798)	(4,946)	(5,456)	(10,402)
Operating profit	9,521	7,038	16,559	5,431	919	6,350
Segment assets	144,977	169,083	314,060	143,284	110,127	253,411
Unallocated assets			33,832			14,735
<b>Total assets</b>			<b>347,892</b>			<b>268,146</b>
Segment liabilities	(26,566)	(36,843)	(63,409)	(27,365)	(30,678)	(58,043)
Unallocated liabilities			(92,301)			(44,595)
<b>Total liabilities</b>			<b>(155,710)</b>			<b>(102,638)</b>
<b>Capital expenditure</b>	<b>7,278</b>	<b>44,972</b>	<b>52,250</b>	<b>30,998</b>	<b>10,253</b>	<b>41,251</b>

#### Revenue by service

	Six months ended 30 June 2009 £'000	Six months ended 30 June 2008 £'000
Colocation	65,281	46,389
Value Added Services	16,964	15,472
	<b>82,245</b>	<b>61,861</b>

(1) Restated as described in note 3.

# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

## 5. Expenses by nature

	Six months ended 30 June 2009 £'000	Six months ended 30 June <sup>(1)</sup> 2008 £'000
Property costs	12,576	11,291
Electricity costs	13,325	10,149
Depreciation and amortisation charges	12,798	10,402
Staff costs	14,114	12,160
Other costs	12,873	11,509
	<b>65,686</b>	<b>55,511</b>

## 6. Income taxes

The income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2009 is 6.9%. In the prior period, the carrying value of the Group's tax assets, mainly trading losses and unclaimed capital allowances in excess of depreciation, was reviewed. This resulted in a net deferred tax asset of £2,440,000 being recognised at the half year and a corresponding credit to income tax. By 31 December 2008 a deferred tax asset of £5,374,000 had been recognised. During the current period, the Group has offset current tax charges through the use of these assets. Further deferred tax assets were recorded during the period resulting in a period end deferred tax asset of £5,374,000. As the deferred tax asset at the end of the period is consistent with the balance recognised at 31 December 2008, there is no net charge for deferred tax in the period.

## 7. Earnings per share – basic and diluted

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June 2009	Six months ended 30 June <sup>(1)</sup> 2008
Profit attributable to equity holders of the Company (£'000)	13,677	10,588
Weighted average number of shares in issue ('000)	195,524	195,368
Basic earnings per share (p)	7.0	5.4

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, adjusted for the weighted average effect of share options outstanding during the period.

	Six months ended 30 June 2009	Six months ended 30 June <sup>(1)</sup> 2008
Profit attributable to equity holders of the Company (£'000)	13,677	10,588
Weighted average number of shares in issue ('000)	196,602	196,032
Diluted earnings per share (p)	7.0	5.4

(1) Restated as described in note 3.

## 7. Earnings per share – basic and diluted continued

The adjusted earnings per share is presented as the Directors consider it provides an additional indication of the underlying performance of the Group. Adjusted earnings per share is calculated by adding back exchange gains on financing items and the deferred tax movement (note 6) to the retained profit for the period as shown below:

	<b>Six months ended 30 June 2009 £'000</b>	Six months ended 30 June <sup>(1)</sup> 2008 £'000
Profit attributable to equity holders of the Company	<b>13,677</b>	10,588
Less exchange gains on financing items	<b>(176)</b>	(1,410)
Less deferred tax (note 6)	—	(2,440)
<b>Adjusted profit attributable to equity holders of the Company</b>	<b>13,501</b>	<b>6,738</b>

## 8. 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 2008 – as originally stated	2,782	90,874	96,018	7,387	197,061
Prior year adjustment <sup>(1)</sup>	685	—	—	—	685
<b>At 1 January 2008 – as restated</b>	<b>3,467</b>	<b>90,874</b>	<b>96,018</b>	<b>7,387</b>	<b>197,746</b>
Exchange differences	656	6,858	1,200	233	8,947
Additions <sup>(1)</sup>	48,505	10,034	2,027	144	60,710
Transfers	(4,946)	4,946	—	—	—
<b>At 30 June 2008</b>	<b>47,682</b>	<b>112,712</b>	<b>99,245</b>	<b>7,764</b>	<b>267,403</b>
At 1 January 2009	48,914	177,420	105,662	8,676	340,672
Exchange differences	(4,561)	(20,183)	(2,912)	(546)	(28,202)
Additions	39,309	12,873	4,435	155	56,772
Transfers	(26,943)	26,351	592	—	—
Disposals	—	(40)	—	—	(40)
<b>At 30 June 2009</b>	<b>56,719</b>	<b>196,421</b>	<b>107,777</b>	<b>8,285</b>	<b>369,202</b>
<b>Depreciation</b>					
At 1 January 2008	—	54,423	34,724	4,906	94,053
Exchange differences	—	3,615	662	163	4,440
Charge for the period	—	7,425	1,802	592	9,819
<b>At 30 June 2008</b>	<b>—</b>	<b>65,463</b>	<b>37,188</b>	<b>5,661</b>	<b>108,312</b>
At 1 January 2009	—	86,311	41,536	6,714	134,561
Exchange differences	—	(9,265)	(1,711)	(433)	(11,409)
Charge for the period	—	9,695	2,039	477	12,211
Disposals	—	(7)	—	—	(7)
<b>At 30 June 2009</b>	<b>—</b>	<b>86,734</b>	<b>41,864</b>	<b>6,758</b>	<b>135,356</b>
<b>Net book value</b>					
<b>At 30 June 2009</b>	<b>56,719</b>	<b>109,687</b>	<b>65,913</b>	<b>1,527</b>	<b>233,846</b>
At 31 December 2008	48,914	91,109	64,126	1,962	206,111
At 30 June 2008	47,682	47,249	62,057	2,103	159,091

The Group has capital commitments in respect of in progress projects at the period end of £38,911,000 (31 December 2008: £81,159,000; 30 June 2008: £25,001,000).

(1) Restated as described in note 3.

# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

## 9. Share capital

	30 June 2009 £'000	31 December 2008 £'000	30 June 2008 £'000
<b>Authorised</b>			
496,431,508 ordinary shares of £0.002 each (31 December 2008: 496,431,508; 30 June 2008: 496,431,508)	<b>993</b>	993	993
	30 June 2009 £'000	31 December 2008 £'000	30 June 2008 £'000

## Allotted

198,092,373 ordinary shares of £0.002 each (31 December 2008: 198,092,373; 30 June 2008: 198,092,373)	<b>396</b>	396	396
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The ordinary shares carry no right to fixed income and each ordinary share carries one vote at general meetings.

During the period 9,000 shares were issued following the exercise of share options. All shares were issued from the Company's Employee Benefit Trust ('EBT') for total consideration of £7,000.

## 10. Cash flow from operating activities

Reconciliation of profit on ordinary activities before taxation to net cash inflow from operating activities:

	Six months ended 30 June 2009 £'000	Six months ended 30 June <sup>(1)</sup> 2008 £'000
Profit on ordinary activities before taxation	14,696	8,184
Add finance costs	6,663	2,172
Less finance income	(4,800)	(4,006)
Depreciation charge	12,211	9,819
Intangible asset amortisation	587	583
Share-based payments	742	300
Movement in receivables	2,449	3,118
Movement in payables	3,586	2,758
Movement in provisions	(313)	(198)
Exchange movement	(835)	241
<b>Net cash inflow from operating activities</b>	<b>34,986</b>	<b>22,971</b>

## 11. Contingent liabilities

Financial guarantees granted by the Group's banks in respect of operating leases amount to £11,148,000 at 30 June 2009. At 30 June 2009 the estimated discounted cost of reinstating leasehold properties at the end of leases in accordance with the lease contracts was not materially different from the balance disclosed in the 2008 Annual Report. The leases expire over a range of 2 to 20 years. In accordance with the Group accounting policy, no amount has been provided in the financial statements as it is not considered probable that such liabilities will be incurred, as the Group expects to renew its leases when they expire and continue to use them as data centres.

(1) Restated as described in note 3.