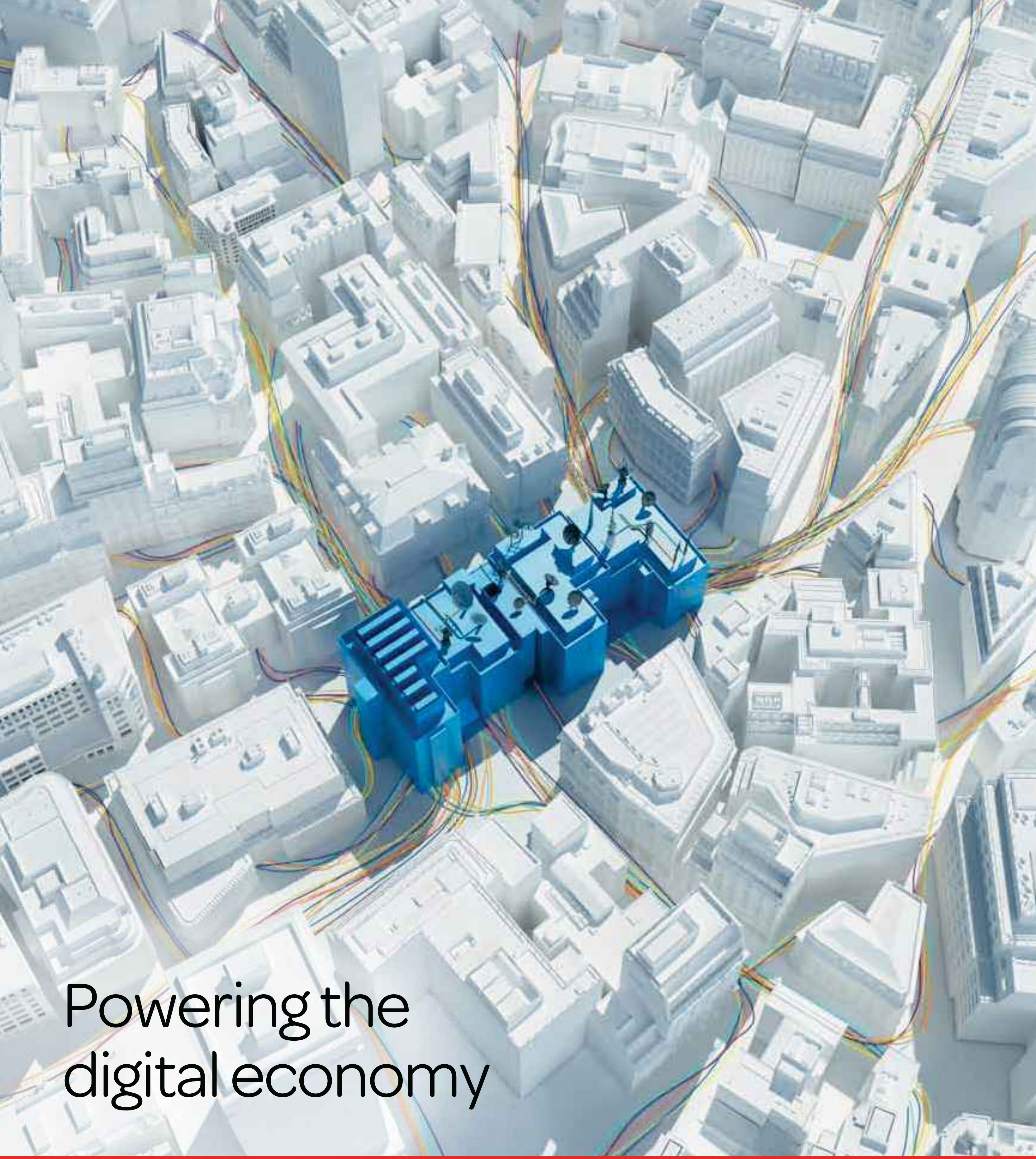


Powering the digital economy

Telecity Group plc
Annual report and accounts 2012

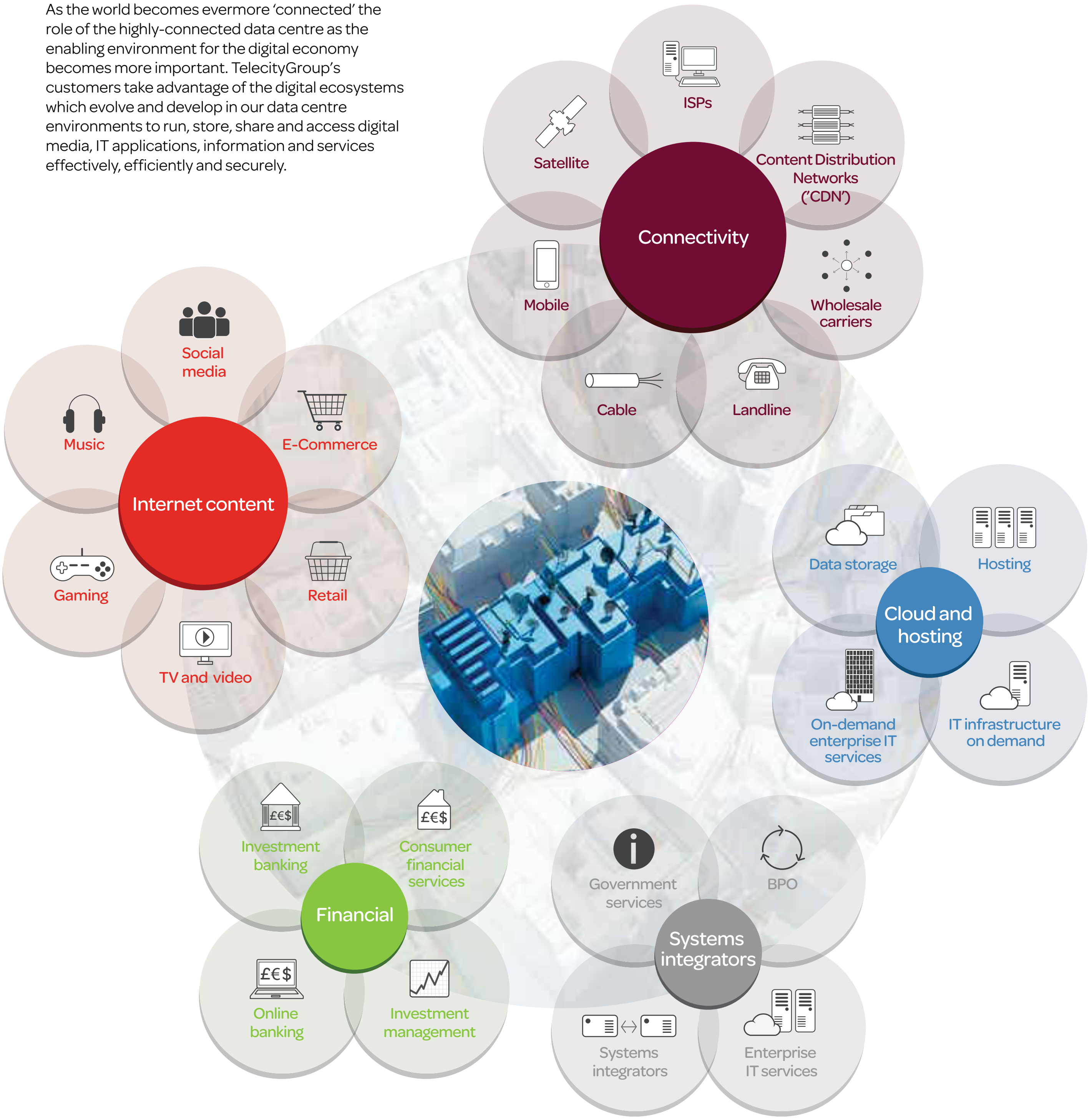
TelecityGroup
where content meets connectivity

TelecityGroup is Europe's leading provider of premium carrier-neutral data centres.

Our data centres are located in key cities across Europe, enabling us to offer customers unrivalled connectivity, convenience, flexibility, resilience, cost-savings and choice.

TelecityGroup data centres at the heart of the connected world

As the world becomes evermore 'connected' the role of the highly-connected data centre as the enabling environment for the digital economy becomes more important. TelecityGroup's customers take advantage of the digital ecosystems which evolve and develop in our data centre environments to run, store, share and access digital media, IT applications, information and services effectively, efficiently and securely.



Fast find

Powering the digital economy

Our business is to provide premium, highly-connected data centres which support the growth of the digital economy

See pages 10–23

Our growth strategy

We aim to deliver controlled, sustainable, profitable growth supported by a fully funded committed expansion pipeline

See pages 24–25

Review of results

The Group has delivered another year of strong growth in revenue, EBITDA and earnings per share

See pages 26–27

Corporate governance

Our commitment to best practice in corporate governance is key to maximising the shareholder value that can be generated over the long term

See pages 38–67

More information is available online at: www.telecitygroup.com

In this report

2012 performance highlights

2012 highlights

Strong 2012 results

- Revenue up 18.0% to £283.0m (2011: £239.8m)
- Adjusted[1] EBITDA[2] up 22.0% to £129.5m (2011: £106.2m)
- Adjusted EBITDA margin up 150bps to 45.8% (2011: 44.3%)
- Adjusted EBITA[2] up 24.4% to £91.0m (2011: £73.2m)
- Adjusted diluted earnings per share up 28.6% to 31.0p (2011: 24.1p)
- Final dividend of 5.0p per share proposed, taking total 2012 dividend payment to 7.5p

The above highlights are based on the Group's adjusted results. A full reconciliation between the adjusted and statutory results is contained in note 3. Where different, the statutory equivalents of the above results are as follows:

- Operating profit £84.2m (2011: £65.4m)
- Diluted earnings per share of 28.5p (2011: 21.1p)

European growth platform enhanced

- Available customer power[2] up 26.5% to 86MW (2011: 68MW)
- Announced customer power[2] up 8.9% to 135MW (2011: 124MW)
- Market leading position established in Helsinki through the acquisitions of Academica and Tenue

Positive outlook confirmed

- TelecityGroup entered 2013 with a strong recurring revenue base and available capacity in all of its markets. The Group also has a largely stable and predictable cost base. As such, management are confident that the Group will deliver a strong earnings growth performance in 2013

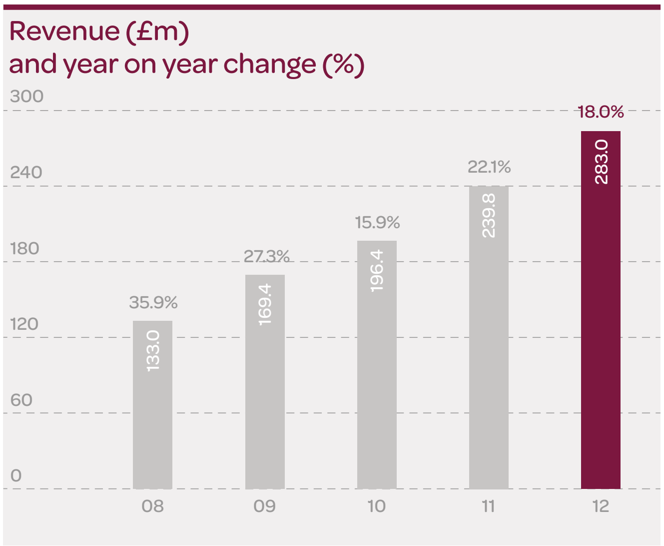
Who we are and what we do

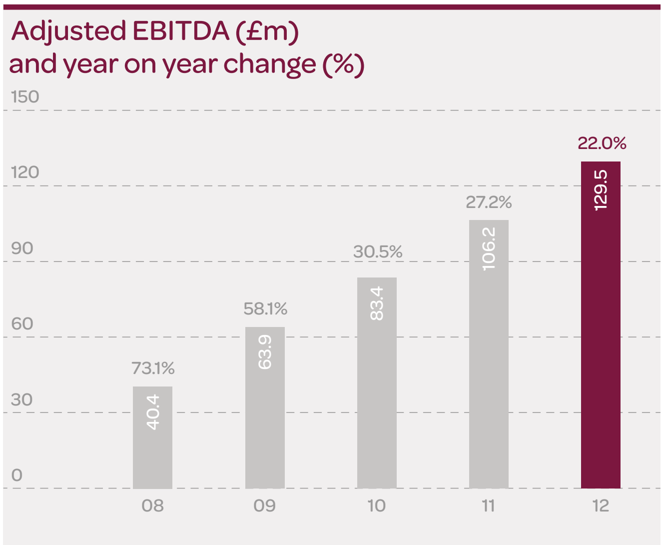
- TelecityGroup builds and operates high quality data centres in key internet cities across Europe
- Our customers locate their mission-critical IT equipment in our data centres
- They do this because of the high levels of internet connectivity, power, reliability and security that our data centres offer
- Our data centres are highly-sophisticated mechanical and electrical engineering assets providing power to support customer infrastructure
- Customers are principally charged for the power capacity they have access to along with the actual power used

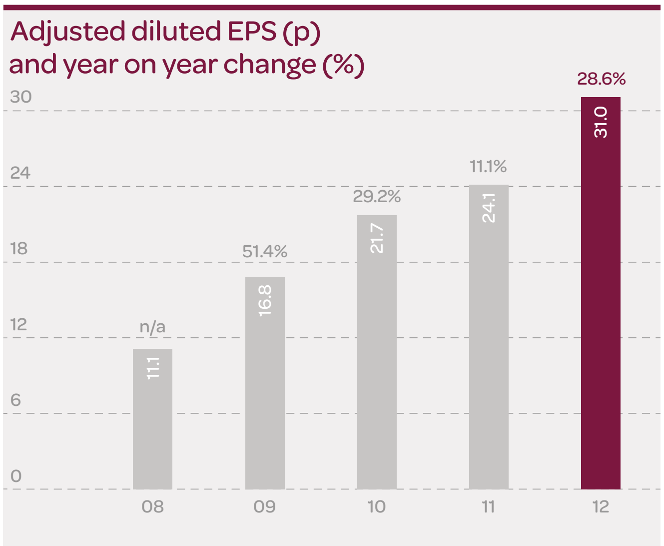
(1) Adjusted to exclude intangible asset amortisation, other financing items and exceptional items (note 3).

(2) A glossary of terms is included in note 38.

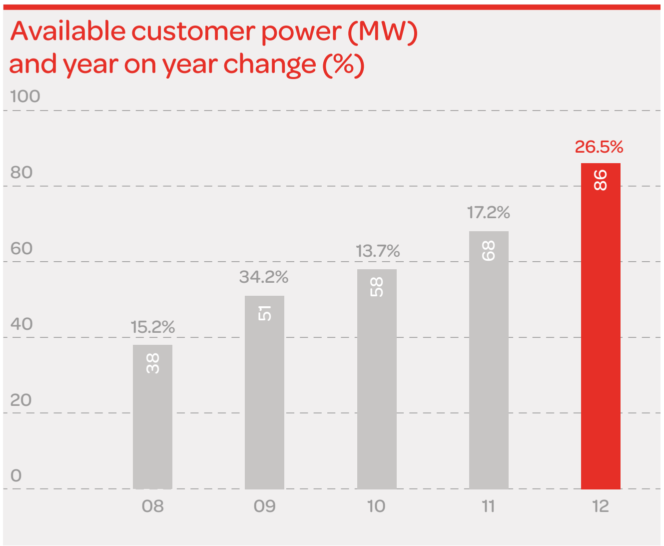
Financial KPIs[1]

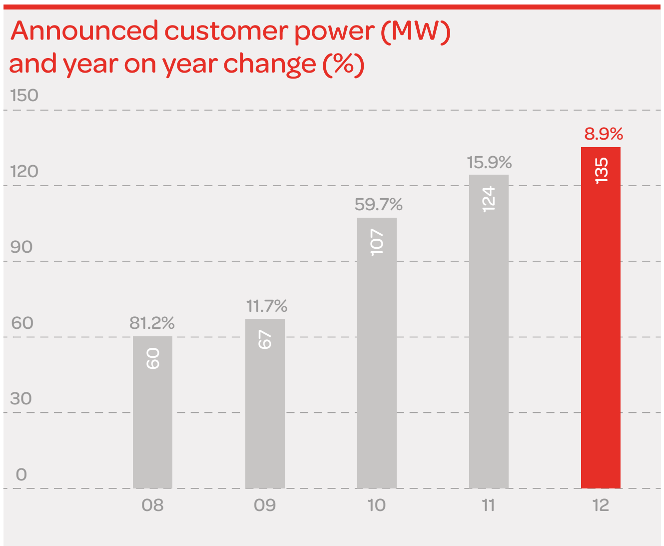


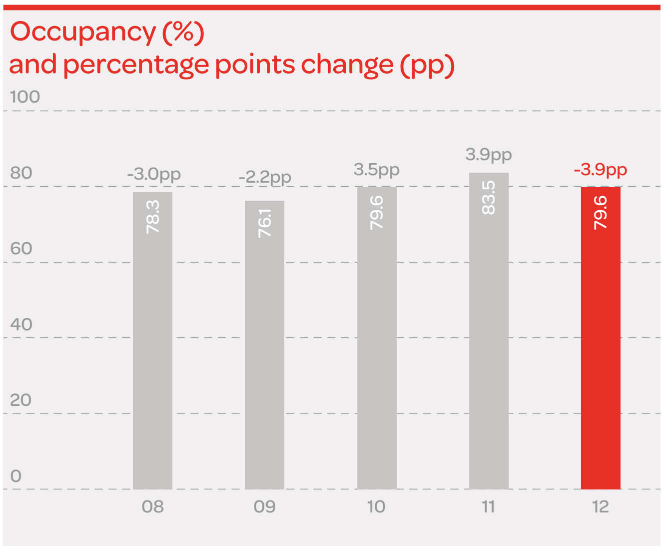




Operational KPIs[1]







(1) A glossary of terms is included in note 38.

Chairman's statement

"We enjoyed a good year of progress in 2012"

John Hughes, CBE
Chairman

Our Board
Biographies of all our Board members as well as Committee reports can be found in the Governance review.

See pages 40-41

I am pleased that TelecityGroup is continuing its excellent track record in reporting a strong set of results.

We enjoyed a good year of progress in 2012 in terms of enhancing TelecityGroup's longer-term growth platform, with the opening of new data centres and major expansions in key internet hub locations across Europe. Although the identification and construction of new sites is often challenging, these facilities now help underpin the digital economy by providing growth capacity in core markets for several years into the future.

Indeed, it was great to see TelecityGroup's importance to the UK digital economy highlighted during the year by ministerial openings of our flagship London site expansions, with the Communications Minister Ed Vaizey MP opening the Powergate site in July and the Minister of State for Business and Enterprise, The Rt. Hon. Michael Fallon MP, opening our Harbour Exchange site in December.

In addition to our organic platform expansion in 2012, we enhanced our European footprint through acquisitions, securing a leading position in the promising Finnish market. The integration of our new businesses in Helsinki has progressed well and I welcome the new employees to our team.

A full discussion of our performance in 2012 starts on page 32.

I am pleased to report back to you with good progress on our Corporate and Social Responsibility ('CSR') and governance objectives. Following the establishment of a Board level CSR committee, we have made headway against a range of short-term and long-term targets. These relate to areas including managing our energy efficiency, reducing our overall environmental impact and enhancing quality standards, customer satisfaction and employee engagement.

We also saw the Group's commitment to clarity and transparency in our reporting recognised, receiving the award for 'Best Board Disclosure' in the FTSE 250 category at the ICSA Hermes Transparency in Governance Awards and the 'Most Effective Overall FTSE 250 Annual Report' award from the Investor Relations Society.

Our full governance review, including a report from the CSR committee, commences on page 38.

Looking forward, 2013 again promises to be an exciting year for our business. We will continue to develop and expand TelecityGroup, focussing on controlled, sustainable and profitable growth by investing capital in projects with high expected returns, as we expand across Europe in response to customer demand.

Our expansion roadmap is designed to provide our customers, investors and employees with visibility over our longer-term development, with 135MW of announced customer power, versus the 86MW of customer power that was operational at the end of 2012.

Finally, I would like to thank our employees, customers, suppliers and shareholders for their ongoing support as we continue to develop Europe's leading carrier-neutral data centre business.

John Hughes, CBE
Chairman

12 February 2013

Opening of Harbour Exchange data centre expansion
Minister of State for Business and Enterprise The Rt. Hon. Michael Fallon MP officially opened the new expansion at Harbour Exchange in London.

"I am delighted with TelecityGroup's performance during 2012"

Michael Tobin
CEO

Helsinki, Finland
During 2012 TelecityGroup established a market leading position in Helsinki through the acquisitions of Academica and Tenue.

See page 22

Central management team
Our central management team is introduced on page 7. Country managers are introduced on pages 20-21 and TelecityGroup's Finance Director on page 34.

I am delighted with TelecityGroup's performance during 2012. The Group did extremely well, delivered 18% revenue growth, adjusted EBITDA growth enhanced by increasing margins of 22% and 29% adjusted EPS growth.

To me, this illustrates good execution against our strategy, which is outlined on pages 24 and 25 and the value of our internet hub data centres. These assets, which are at the core of the European digital economy, underpin the growth of our customers and deliver value for our shareholders.

It also highlights the strength of our team, whose experience, dedication and customer focus are key to our success. I would like to thank them all for their contributions.

In addition to the great financial performance, 2012 was notable for being a landmark year for the Group in terms of operational delivery. We opened major capacity expansions across Europe, increasing our available capacity by 27%, overcoming the challenges associated with opening data centres in highly-connected urban areas.

These sites are key to enabling our future growth and we intend to expand them further in phases over the coming years to meet the demands of our growing customer base.

I was very pleased to be able to add a leading position in the Finnish market to our European growth platform. I am excited about the opportunities that this new market brings to the Group and I look forward to the challenge of capitalising on them with our new team there.

We have entered 2013 with a solid recurring revenue base and available capacity across our market. As such, I expect the Group to deliver another good operating and financial performance during the year, with strong growth in earnings.

In addition to meeting the demands of our customers, I remain focussed on delivering value for our shareholders.

We will continue to use TelecityGroup's growing cash flows to create further value, through investment in organic growth with high returns on capital, selective acquisitions that enhance our growth platform and our progressive dividend policy.

At the same time as this, we will continue to recognise our wider responsibilities with our focus on our CSR programme, ensuring that this feeds through to the way the business operates and reports on corporate responsibility and sustainability now and in the future.

I look forward to reporting back to you on our progress during 2013.

Michael Tobin
Chief Executive Officer

12 February 2013

James Tyler
Group Director of Marketing and Communications. James is responsible for TelecityGroup's marketing and communication strategy, Group business development and CSR.

Matthew Springett
Group Head of Investor Relations. Matthew is responsible for managing TelecityGroup's relationships with investors and analysts.

Suzie Woodhams
Group Director of Human Resources. Suzie is responsible for leading and implementing HR Strategy across the Group.

David Crowther
Group Financial Controller. David is responsible for financial reporting, planning, policies and control for the Group.

The data centre industry

Data centres provide secure operational environments for organisations' IT and telecoms equipment.

The data centre industry is diverse. At the simplest level data centres are buildings that have within them electrical and mechanical infrastructure that creates an environment in which computing and telecommunications equipment can run without interruption. As such, they provide resilient power supplies and cooling to this equipment.

Different groups of operators run data centres (see the key characteristics of different types of data centres in the table below). Telecoms companies often operate data centres to support their networks and service offerings; property-focussed companies operate data centres to service the wholesale IT outsourcing needs of large organisations; and IT services companies operate them to supply services to their customers.

The carrier-neutral data centre

A truly carrier-neutral data centre provider such as TelecityGroup is entirely independent of any network, hardware or software vendor. Without affiliation to any one partner, a wide range of different network, application and IT service providers are present in such data centres, most of whom are competing to sell their services to other data centre customers.

TelecityGroup's role in the industry

TelecityGroup operates highly-connected facilities in key internet hub cities across Europe. The presence of multiple national and international communications services operators in our data centres provides a wide range of connectivity options for customers.

Our data centres are places in which separate networks that make up the internet meet and where bandwidth-intensive applications, content and information are hosted. As such, they are important network hubs, or enabling environments, of the European digital economy.

Carrier-neutral data centres in Europe continue to experience strong growth in demand. This growth is driven by organisations, such as providers of internet content and cloud services, who look for premium, highly-connected data centre capacity to support the services they offer to their end users.

During 2012, we remained focussed on developing our position as a provider of choice for organisations looking to exploit the opportunities in the European digital economy. The geographic locations in which TelecityGroup operates are key international internet hubs and, as such, offer attractive growth opportunities for us. During 2012, in addition to ongoing investment and opening new capacity in our existing city locations such as London and Amsterdam, TelecityGroup entered the new market of Helsinki through the acquisitions of the data centre businesses Tenue and Academica. Helsinki is a rapidly developing internet hub which we believe offers considerable opportunities for growth.

"Our data centres are centrally located in key internet hubs across Europe. They are built to the highest technological standards and supported by tried and tested resilience systems."

Michael Tobin, CEO

Typical types of data centre and their attributes

Wholesale	System integrator operated
– Typically very large facilities in out-of-town locations – Operators provide a basic level of data centre environment plus power feeds – Customer typically fits out individual space and often provides its own on-site facilities and engineering teams – Limited connectivity options	– Typically integrate multiple systems and applications for large scale customer deployments – Host and manage much of their clients' IT and server requirements – Limited connectivity choice

Demand growth

The growth in demand for carrier-neutral data centres is closely linked to the growth in internet usage.

Growth in internet traffic is driven by the increasing proliferation of 'connected' people and devices. Examples include increasing broadband penetration, data intensive smartphone usage and mobile usage in general, digital content and the growth of cloud computing (effectively on-demand computing resource accessed over a network). From a system performance and commercial perspective, carrier-neutral data centres are typically selected by organisations as the location of choice for their connectivity-dependent computer hardware due to the range of networks available to which they can connect.

The importance of connectivity, internet exchanges and peering

The top chart on the right shows the growth in traffic over the European internet exchange points ('IXPs'). An IXP is a physical combination of network switches and routers; a public junction point for carriers (telecoms networks service providers) and ISPs (Internet Service Providers) to exchange internet traffic. Networks and other organisations connect to the IXP infrastructure directly from their own hardware within the data centre.

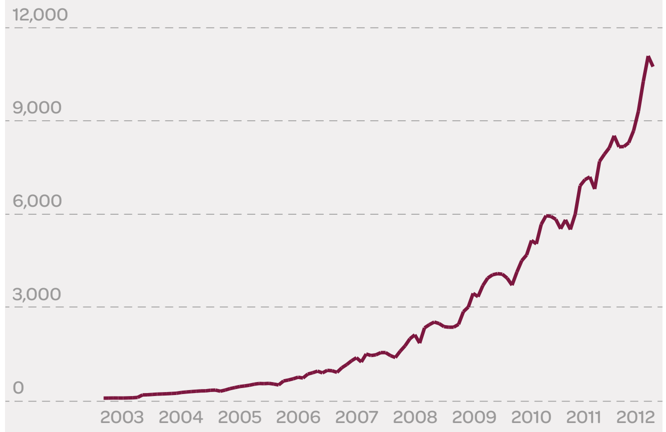
At these 'exchange points', IXP customers (or 'members' – mostly communication service providers) accept traffic from each other and agree to carry one another's data across their network without charge. There are typically just one or two major IXPs in each city market, with the largest of those in Europe being the Amsterdam Internet Exchange ('AMS-IX'), the London Internet Exchange ('LINX'), the German Internet Exchange ('DE-CIX') and the Swedish Internet Exchange ('Netnod'). TelecityGroup hosts these and other major IXPs across Europe.

Network service providers also have private peering agreements between each other which enable direct network to network voice and data traffic exchange. Connecting into an IXP or using a physical data centre cross-connect and peering directly with another operator enables organisations to reduce their overall communications costs, while improving network performance (and therefore quality of customer experience).

In summary, the networks that make up the internet can be seen as a combination of the public networks exchanging information at the IXPs, and private peering between network providers, most of which happens within data centres.

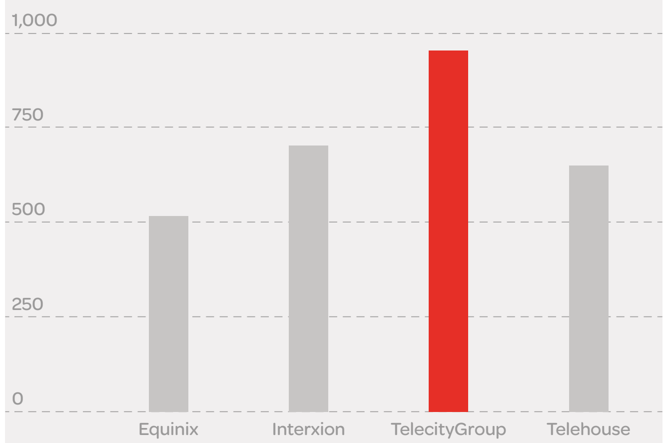
The chart (bottom right) shows the aggregate number of organisations listing themselves as possible peering points in the data centres of the four largest pan-European carrier-neutral data centre operators' facilities as appearing on PeeringDB.com, a public register of networks peering in facilities across Europe.

Demand drivers: Internet traffic growth remains strong (Gigabits per second)



Source: Euro – IX, peak internet traffic

Peering points within European carrier neutral data centres



Source: PeeringDB.com (as at January 2013)

In-house

- End-user operated
- Often located in the same location as an organisation's own office
- Limited connectivity options

Network operated

- Operated by network service providers
- Limited connectivity options as network operators prefer data centre customers to use their proprietary network services

Carrier-neutral

- Typically centrally located close to transport/ infrastructure and telecoms networks
- Extensive connectivity options enable customers to access multiple network service providers and IXPs directly
- Proximity to other data centre customers generates commercial opportunities within the digital ecosystems
- Data centre operator provides on-site engineering, fit-out and ongoing technical support

A model designed to create value in the digital economy

Customers choose TelecityGroup because of our high quality data centre infrastructure, service standards, connectivity options and capacity to support their future growth.

Each TelecityGroup data centre offers significant connectivity options and we seek constantly to enhance the choice and availability of networks to customers. Customers are charged primarily for locating their IT equipment within the highly-connected and resilient environments that our data centres provide. These charges are supplemented by additional fees for power usage, engineering support, connectivity and other IT services.

As organisations' online activities grow they need to deploy more IT and communications equipment in data centres which, in turn, drives our growth.

A substantial amount of our growth comes from existing customers. We also attract new customers, often due to advances in technology, which enable an increasingly wider range of applications to be migrated towards management and delivery over the internet.

Our growth strategy

We aim to deliver controlled, sustainable and profitable growth by opening and selling data centre capacity in the key internet economy cities in Europe. This enables us to meet the demand for highly-connected and resilient capacity that is being driven by the growth in the digital economy.

Over fifteen years TelecityGroup has invested, and continues to invest, in data centres which offer direct connections to a large number of national and international network providers and internet exchange points.

These data centres require large power feeds and are located in central areas in the major internet hub cities of Europe where multiple communications networks are congregated. At the heart of our business is the concept of the 'digital ecosystem'; a highly-connected environment inside each of our data centres which is an attractive marketplace for customers (this is discussed in more detail on page 17). We endeavour to conduct our business with integrity, and our business practices are shaped, at every level, by the guiding principles and targets laid out in our Corporate Social Responsibility strategy (see page 50).

See pages 24-25 for more information about our growth strategy.

Discover how these components combine to deliver controlled, sustainable and profitable growth in today's digital economy.

We provide premium data centre infrastructure services

Secure environments for the IT and telecoms equipment that powers the digital economy

Today's data centres are highly complex facilities requiring considerable engineering expertise to build, maintain and operate.

Our core business is designing, building and operating such connected and secure data centres to the highest industry standards to provide our customers with resilient, cost-effective and always-on environments. We are a trusted partner.

Our reputation has been built on a track record of customer service and engineering excellence. TelecityGroup removes the burden of data centre management from organisations, enabling them to focus on their core business activities.

Premium infrastructure
Building and operating premium carrier-neutral data centres in Europe.

See pages 12-15 for further details

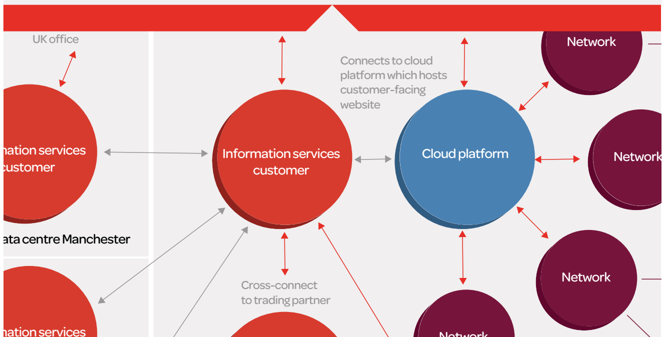
...enabling the creation of customer ecosystems in the data centre

Highly-connected environments, create attractive data centre locations and, in turn, create new marketplaces for our customers

TelecityGroup's data centres offer rich levels of connectivity to bandwidth-intensive customer infrastructure.

Connected data centres attract organisations because of the choice of connectivity, which in turn reduces costs and improves network performance and efficiency.

As our data centres grow the larger the ecosystems become, and the more our customers benefit, developing new commercial communities of interest and marketplaces within each facility.



Carrier-neutral digital ecosystems

Hubs for content, connectivity and commerce.

Developing marketplaces for our customers.

See pages 16-19 for further detail on our carrier-neutral digital ecosystem

...with a committed capacity expansion pipeline

Our growth is enabled by the continued introduction of new data centre capacity

We are adding capacity in all our markets by building new data centres and expanding existing facilities.

We sell new capacity to customers as they seek to expand the footprints of their computer hardware within our data centres.

Our facilities are strategically located in each city. This gives proximity to power, helps maximise connectivity options for customers and makes visiting our data centres far easier.

To enable fluid customer expansion, new capacity is designed and planned to be brought online as it is required. This expansion programme is complemented by acquisitions in new and expanding market locations enabling us to capture revenue more quickly than it would take to create the highly-connected data centre hubs from scratch.

Controlled expansion through data centre build and acquisitions

See pages 20-23 for further detail on our committed power pipeline

Premium infrastructure

Our data centres are the ideal environment for organisations looking to house their bandwidth-intensive IT hardware, providing scalability, security, power and connectivity – and also offering significant economies of scale.

TelecityGroup engineers are highly skilled in all aspects of the data centre, from facilities management to mechanical and electrical engineering.

Data centres for the digital economy

Our data centres are large, industrial facilities, centrally located in key internet hub cities across Europe. They are built to the highest technological standards and supported by tried and tested resilience systems. In this sense they are the 'non-virtual' part of the digital economy.

We understand that outsourcing mission-critical IT systems involves trust. This governs the principles on which we design and maintain our data centres.

Data centre – core fundamentals

To ensure continuous operation, our data centres have access to redundant high-capacity power supplies, scalable for future expansion. Every site has Uninterruptible Power Supply ('UPS') systems and standby diesel generators capable of supporting the site indefinitely in the event of a failure of grid-power. At the simplest level a TelecityGroup data centre will ensure resilient power, the appropriate environment for IT hardware to operate most effectively (e.g. cooling and humidity control), high levels of security and fire protection.

This infrastructure is supported by the presence of round-the-clock engineering teams to manage the facility and provide customer support. Customer equipment is connected to networks and other customers via 'cross-connects', physical cable connections between equipment. All cross-connects in TelecityGroup data centres are installed and managed by our engineers.

Energy efficiency and operational standards

We are committed to excellence and setting the benchmark in our environmental strategy and quality standards. We adhere to stringent industry standards, and we are recognised as a leader in the market in terms of environmental management and best practice. We proactively monitor a wide range of environmental metrics to ensure our build and operations processes are managed to maximise efficiency and minimise waste. Organisations choosing TelecityGroup demonstrate they are selecting an operator that puts energy efficiency and environmental management at the core of its business. We seek to innovate. Two examples of this are in Powergate, London, with a new water conservation programme using rainwater to help cool the facility, and in Amsterdam 5 where we use ground water as a thermal energy store.

Why operational and quality standards matter

International certifications demonstrate that best practice and high quality processes are central to our business. Customers can benchmark our commitment to quality through our adherence to established and recognised global standards. Our data centres and management systems are certified to a wide range of international standards including:

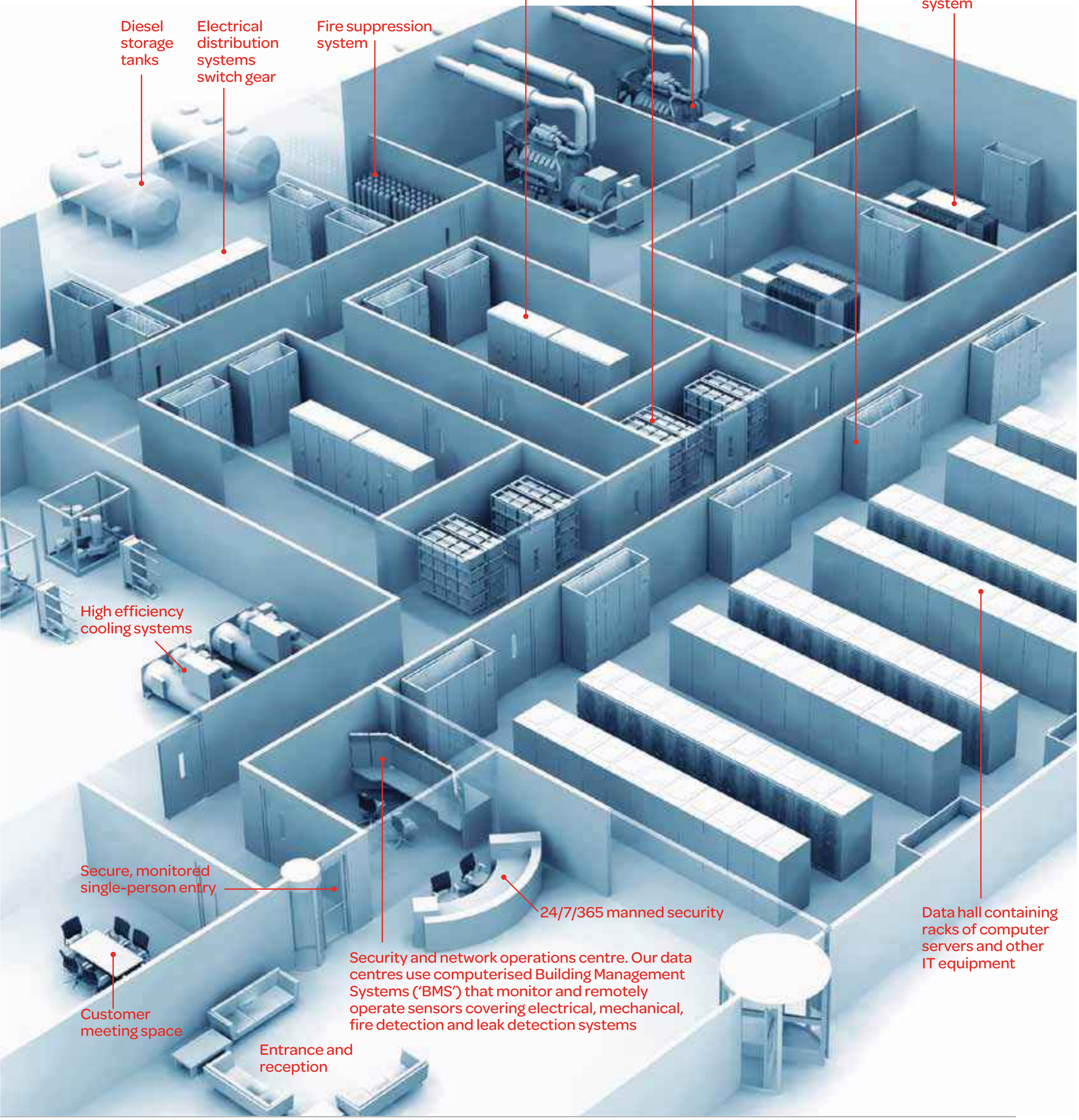
- ISO 27001 for information security management;
- ISO 9001 for quality management;
- ISO 14001 for environmental management; and
- OHSAS 18001, the assessment specification for occupational health and safety management systems.

Other certifications include BS 25999 (transferring to ISO 22301) for business continuity management.

More details about our energy management strategy and quality standards can be found in the CSR Committee report (pages 50-55).

The data centre

The figurative diagram shows key elements of a typical data centre.



Premium infrastructure

Amsterdam 5:
Delivering a new and highly-connected, resilient, secure and energy efficient environment

TelecityGroup is the leading carrier-neutral provider in Amsterdam.

Amsterdam 5 ('AMS 5') opened in the first half of 2012. Once fully built out it will offer 9MW of customer power across 6,000 square metres of data centre floor.

Watch a walk through of our premium infrastructure at:

www.telecitygroup.com/ams5

Alexandra Schless, Managing Director, Netherlands

"Amsterdam 5 offers our customers a compelling combination of technical and engineering excellence with huge connectivity choice. This enables us to attract high value customers to our new facility."

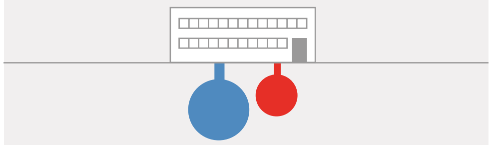
TelecityGroup is the leading connectivity provider in Amsterdam

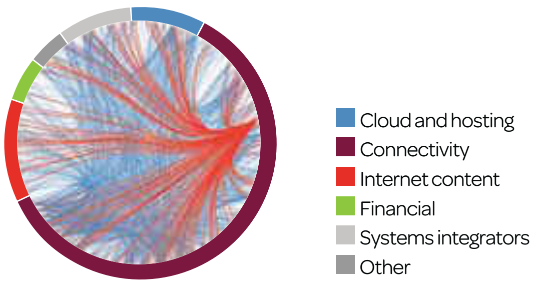
- 5 data centres in Amsterdam
- Over 200 connectivity options
- 22MW of planned and available customer capacity

An engineer surveys the cooling infrastructure in AMS 5

Resilient power and cooling

AMS 5 uses Aquifer Thermal Energy Storage ('ATES'), an innovative technology which utilises the naturally-stored groundwater found in Amsterdam's unique river delta-based geography. The system works in harmony with the seasons by storing water in underground wells which is warmed by waste data centre heat in the summer and cooled by the lower external temperatures in the winter. This cold water is then pumped up in a closed circuit system and used to cool the data centre in the warm summer months.





Ecosystems

Customer ecosystems are based around TelecityGroup's connectivity hubs. This example shows a customer's cross-connects within the Amsterdam 2 ('AMS 2') data centre highlighted in red. The blue lines represent all of the connections between each customer in the data centre. AMS 5 is connected directly to AMS 2 and offers a huge choice of connectivity.

Carrier-neutral digital ecosystem

In addition to providing space and facilities for customer IT infrastructure, carrier-neutral data centres provide organisations with direct connections to the widest choice of networks, mobile operators, ISPs, Internet Exchanges, Content Distribution Networks ('CDNs') and other network service providers, enabling them to build their own communication networks to deliver the optimum end user experiences.

"The richness of connectivity in our data centres creates the ideal environment in which our network-hungry customer ecosystems can flourish."

James Tyler, Group Director of Marketing and Communications

Carrier-neutral data centres

Network service providers effectively form 'internet' or 'connectivity hubs' in our data centres. Such hubs are ideal locations for organisations who need access to a variety of connectivity services.

The connectivity providers install their network routers in the data centre, enabling customers to connect into their services quickly and easily without the need for costly private networks outside of the data centre.

Depending on business needs, customers choose to use multiple carriers to build in redundancy and ensure resilience, or simply to secure the appropriate network performance required for their applications at the best price. As our customers' business needs grow they are able to switch from one provider to another or add additional networks within the data centre with minimal disruption.

Our customers demand flexibility and control when choosing their IT service providers. At TelecityGroup our carrier-neutrality means we do not have predetermined affiliations with any specific network operators, vendors or service providers, in fact these companies are our customers.

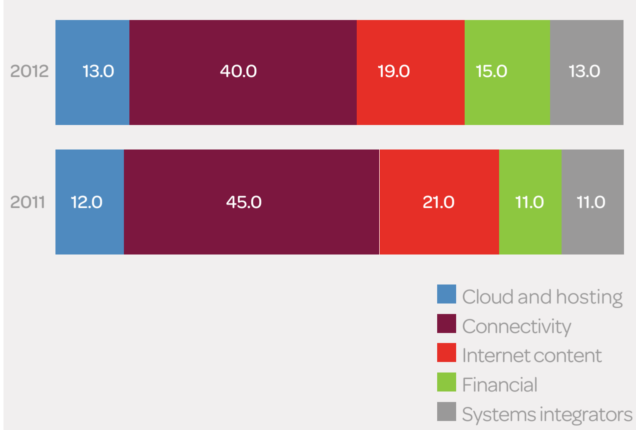
The wide range of network services available in TelecityGroup data centres can meet the most extensive and diverse of connectivity needs, whether it's specific geographical coverage, segment-specific or fixed and mobile services required.

Evolving ecosystems driving value for customers and TelecityGroup

As the world becomes ever more 'connected' the role of the highly-connected data centre as the enabling environment for the digital economy becomes more important.

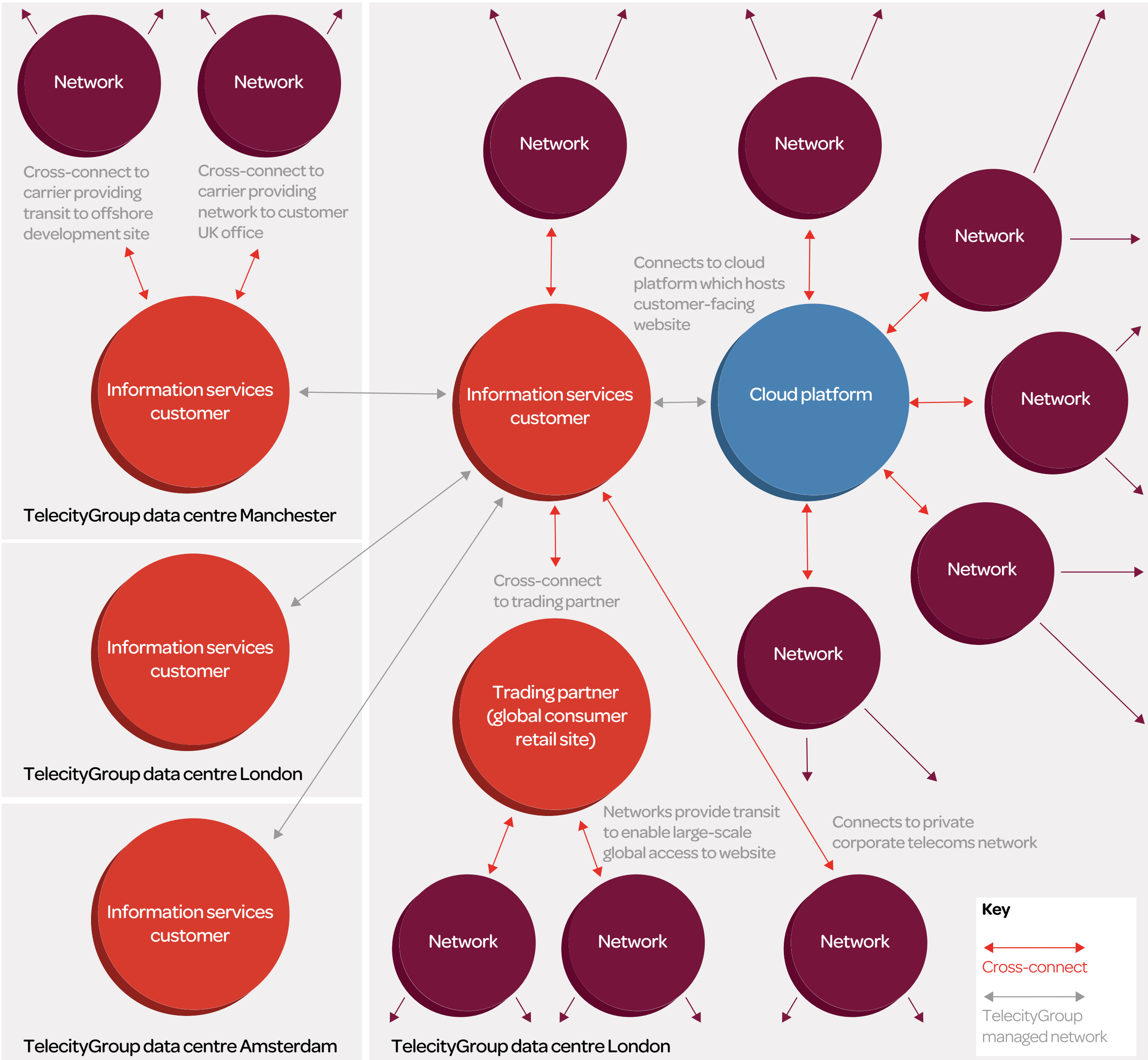
The diagram on the next page shows a typical set of intertwined commercial relationships that evolve between customers within and across TelecityGroup data centres. Each circle represents a different customer's infrastructure, and a description of the type of services being provided to other TelecityGroup customers within that environment. In this way each of our data centres become home to thriving and connected digital ecosystems generating value both for customers and TelecityGroup.

Our top 100 customers by revenue (%)



The data centre ecosystem: A case study

This diagram shows a variety of interconnected commercial relationships between a small example set of customers in TelecityGroup data centres.



Connectivity
Connectivity companies are telecoms operators, including fixed line networks, mobile operators, internet service providers and content distribution networks ('CDNs'). These companies use our data centres to connect to internet exchanges, each other and their end customers, such as internet content companies.

Internet content
Internet content companies represent the next largest category of our customers. They are diverse in nature and include organisations that provide digital media, such as internet video, music and gaming.

Cloud and hosting
Hosting companies and cloud services operators provide technology platforms and services that enable their customers to run their own IT in a more cost-efficient manner. Services offered by these companies are offered increasingly on an on-demand basis and can improve the IT operating performance of their end customers.

Systems integrators
System integrators ('SI') use TelecityGroup data centres to host their customers' mission-critical IT infrastructure. SIs specialise in the provision of IT systems, services and applications and not, typically, data centres. SIs require high quality, connected data centres where they can scale their customers' operations as they grow. TelecityGroup is seeing significant growth from both global and local operators in this sector.

Financial
An increasingly diverse range of financial services companies choose TelecityGroup data centres in which to locate their network-intensive IT infrastructure. These customer deployments support a wide range of banking and insurance services, trading platforms and also companies' in-house IT systems.

Carrier-neutral digital ecosystem

Harbour Exchange: One of the world's most important peering locations

The digital ecosystem

TelecityGroup's internet hubs enable the formation of various ecosystems within the data centre, often formed around groups of sector-specific companies.

Ecosystems evolve due to organisations seeking to be colocated within the same facility in order to connect and transact with other community members and customers.

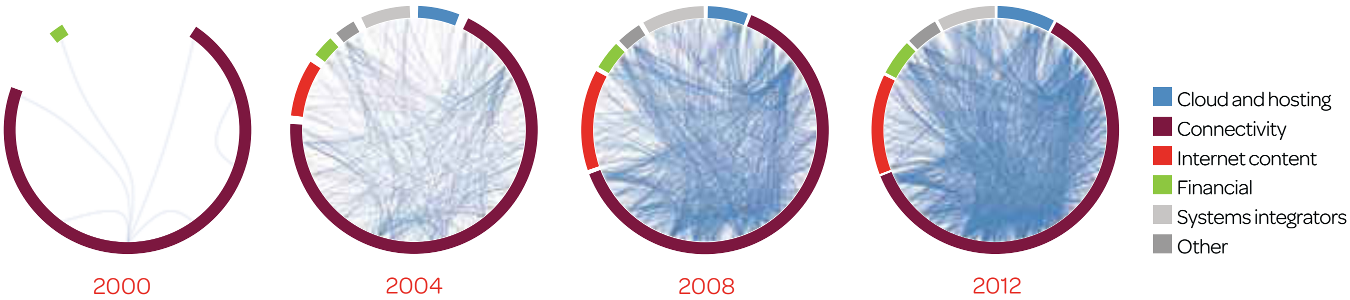
The diagrams on the next page demonstrate how such ecosystems develop in the data centre over time. Each strand represents a physical connection between two different customers within the data centre. Over time, these physical links, or 'cross-connects' multiply, creating interconnected hubs of commercial, digital relationships.

Expanding in London

In 2012 we opened 1.5MW of a 6MW expansion programme at Harbour Exchange in London's Docklands. The process undertaken by our Board in deciding on and monitoring expansion programmes is shown in the case study at the bottom of page 45 of our Governance review.

An engineer completes a new cross-connect

Growth of the digital ecosystem in Harbour Exchange 2000-2012



Committed power pipeline

TelecityGroup has 34 operational data centres in key internet hub cities across Europe and one further under construction. Our data centres are located in areas with a high concentration of communications networks.

Building our presence across Europe

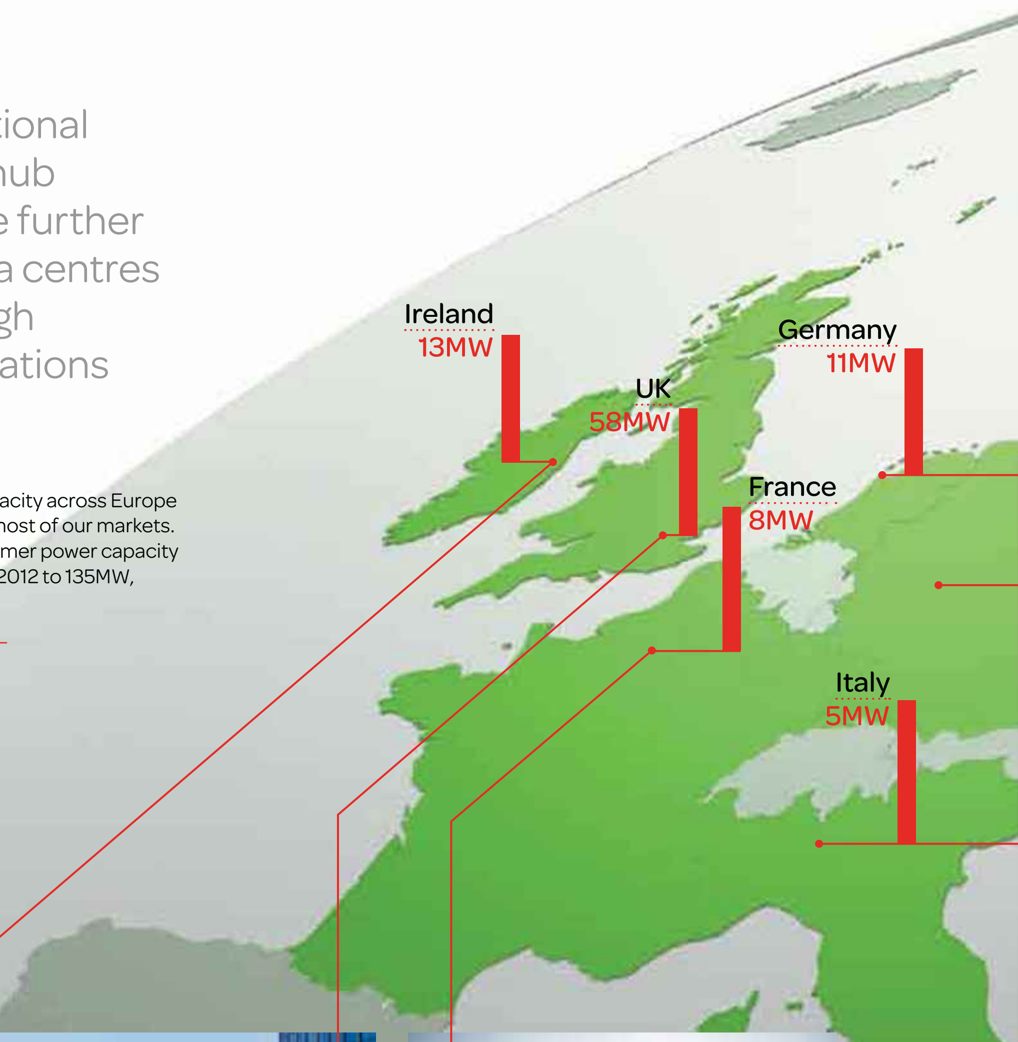
2012 marked a year of major delivery of targeted new capacity across Europe with new data centres and major expansions opening in most of our markets. Our demand-driven expansion programme will see customer power capacity increase from the 86MW that was available at the end of 2012 to 135MW, much of this to be delivered in the next three years.

85%

Over 85% of our announced capacity build programme is expected to be delivered during the next three years.

Key: Our build programme by market (MW)

■ Live and announced (planned) power capacity



Ireland: strong international demand

Our three data centres in Dublin continued to attract major international internet businesses including several global technology companies. All three facilities host INEX, the Irish Internet Exchange.

Maurice Mortell
Managing Director, Ireland

UK: leading the market

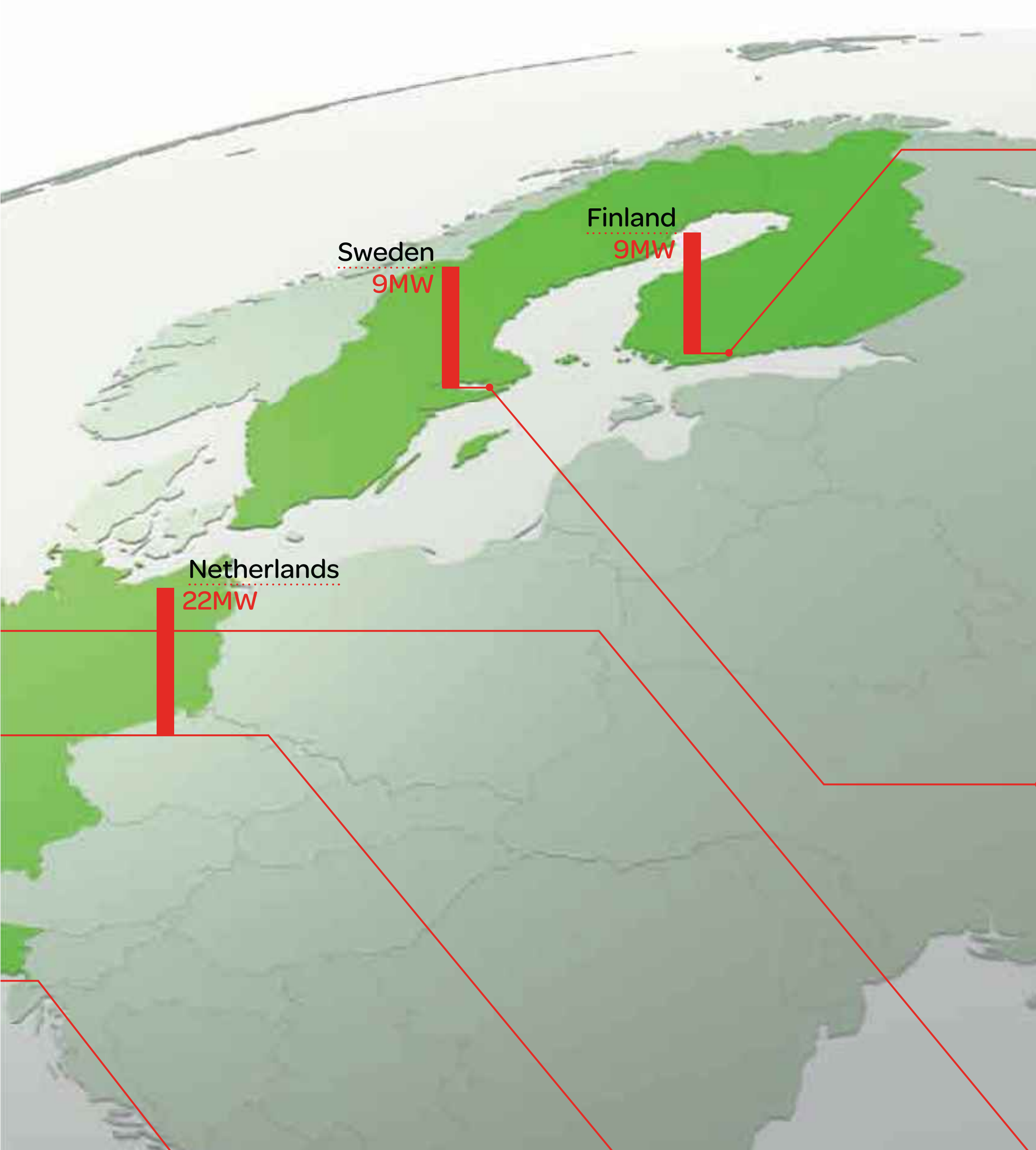
We added further expansions in Powergate, and the key internet hub, Harbour Exchange, in London's Docklands. In Manchester we opened Joule House, a new 3.5MW data centre.

Rob Coupland
Managing Director, UK

France: consolidating strength

TelecityGroup France enjoys a strong reputation in the Paris market. Condorcet, the third facility which opened in 2010, continues to be regarded as the premium carrier-neutral data centre in the market.

Stephane Duproz
Managing Director, France



Finland: a new growth market

In 2012 we acquired Academica and Tenue, two leading data centre and IT services businesses in Helsinki. Helsinki is an emerging internet hub offering access to Nordic and Russian markets.

Marko Vanninen
Managing Director, Finland

Sweden: reinforcing market leadership

TelecityGroup continued to build on its leading presence in the Swedish market, adding new capacity during 2012. Stockholm is a regional data centre base for key internet companies and offers a dynamic and innovative local IT environment. Systems integrators, connectivity and content providers were key growth drivers in 2012.

Niclas Sanfridsson
Managing Director, Sweden

Italy: strong demand

TelecityGroup continued its expansion as the key carrier-neutral operator in the market, adding some important international customers during the year.

Luca Beltramino
Managing Director, Italy

Netherlands: AMS 5 open

TelecityGroup is the leading carrier-neutral data centre operator in Amsterdam with five facilities , and is the main location for AMS-IX, the Amsterdam Internet Exchange. During the year we strengthened our leadership position with the opening of AMS 5, a new connectivity hub for the Netherlands.

Alexandra Schless
Managing Director, Netherlands

Germany: strong position

TelecityGroup is a premium provider in the Frankfurt market and hosts DE-CIX, the German internet exchange, in both data centres. 2012 saw 1MW of new expansion capacity opened.

Martin Essig
Managing Director, Germany

Finland: A new market for TelecityGroup offering exciting growth opportunities

TelecityGroup Finland has four data centres in Helsinki, one of which opened in early 2013. A fifth facility, Hansa, will open later in 2013.

Expanding our European platform
Helsinki is an emerging internet hub and an important traffic route for telecoms networks in and out of Russia.

Suvilahti data centre in Helsinki
The Suvilahti data centre in Helsinki opened in 2012.

A data floor in the Suvilahti data centre in Helsinki

Key investment criteria considered before TelecityGroup's entry into a new market

Key investment criteria

Demand dynamics
- Existence of large and growing internet hubs e.g. internet traffic growth/ mobile and broadband penetration etc.
- Prevailing strength of domestic demand for data centres to support inbound international data centre demand
- Stage of development of domestic digital economy

Infrastructure supply-side
- Availability of power
- Telecoms networks penetration/de-regulation enabling development of internet hubs
- Planning environment
- Ease of future potential expansion

Attractive competitive environment
- Lack of dominant market leader
- Ability of TelecityGroup to leverage brand in local market

Macro economic and political environment
- Size and health of the economy
- Political stability
- Attractive inbound investment environment

Growth strategy

In 2012 we maintained the strategic objectives which underpin our aim of controlled, sustainable and profitable growth.

	Our approach
1 A focus on strong returns on capital	As an infrastructure business we aim to continue to generate strong returns on the capital we invest. We do this by competing in the premium data centre market where we can add value for our customers with high levels of connectivity, excellent infrastructure and high quality service. We are able to leverage the value of our existing connectivity and customer ecosystems by opening new capacity close to our established sites.
2 Building new capacity to meet demand as the digital economy grows	We have an unrivalled multi-year, demand driven, announced capacity expansion programme across Europe. This fully funded programme provides our growing customer base with visibility as to how their needs for capacity can be met now and in the future.
3 Expanding our European growth platform with acquisitions	We aim to make acquisitions, either for the purpose of entering new markets or to provide growth capacity in existing markets, where our data centres are fully occupied. This enables us to shorten the time to market for growth capacity as the highly-connected internet data centre market is characterised by long lead times for new capacity.

What we did in 2012

Associated challenges (page 30)

In 2012 we grew our adjusted EBITDA margin to 45.8% and achieved a ROCE of 16.4%.

45.8%
EBITDA margin

16.4%
ROCE

See page 36 for a discussion on ROCE in 2012

Electricity pricing volatility (risk I)

Environment & regulatory changes (risk G)

Technology changes (risk H)

Infrastructure failure (risk F)

Liquidity risk (risk L)

Interest rate volatility (risk N)

In 2012 we built 16MW of new highly-connected capacity and increased our announced capacity pipeline to 135MW.

16MW
new capacity

135MW
total announced capacity

See page 32 for details of our build programme in 2012

Over-supply/pricing (risk D)

Lease expiration (risk C)

Electricity providers unable to match capacity requirements (risk B)

New-build contractors cause delays (risk E)

In 2012 we acquired Academica and Tenue, establishing the market leading carrier-neutral data centre position in Finland.

2MW
new capacity acquired

7MW
additional growth capacity acquired

See page 85 for details of our acquisitions in 2012

Acquisitions do not deliver integration benefits (risk J)

Lack of suitable acquisitions (risk A)

Key performance indicators

We have achieved a strong performance in the Group's KPIs that measure the success of strategic delivery.

Designed to create value

We use a number of key performance indicators ('KPIs') to measure the Group's performance. The KPIs have been chosen because they are considered to be the main drivers and measurements of the Group's performance.

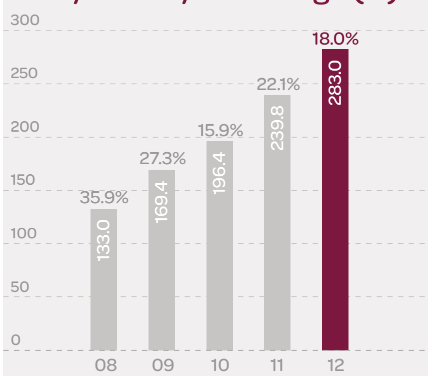
The KPIs presented are consistent with those used in the prior year with the exception of announced customer power replacing secured power expansion. Announced customer power is the total of available customer power and the previously reported secured power expansion and is felt to more clearly present the growth profile and potential of the Group.

A full glossary of terms, including detailed calculation definitions of the KPIs, is included in note 38.

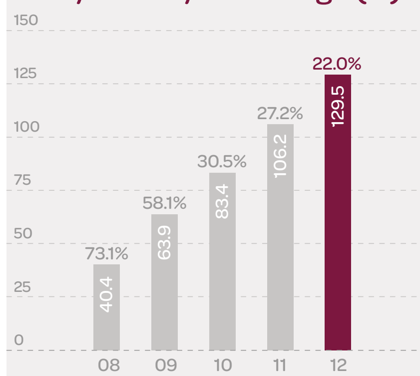
1 Financial KPIs

A focus on strong returns on capital

Revenue (£m) and year on year change (%)



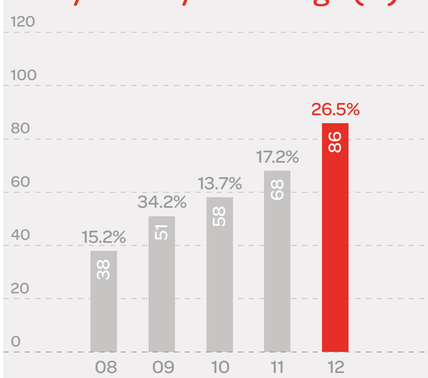
Adjusted EBITDA (£m) and year on year change (%)



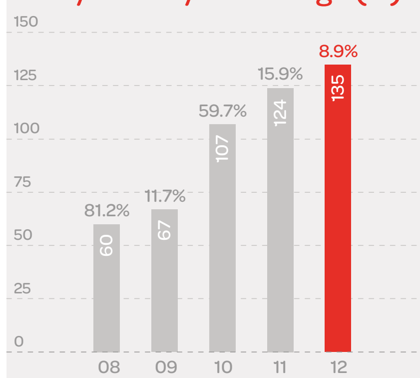
2 Operational KPIs

Building new capacity to meet demand as the digital economy grows

Available customer power (MW) and year on year change (%)



Announced customer power and year on year change (%)



3 Strategic acquisitions

Expanding our European growth platform with acquisitions

During the year, TelecityGroup completed two strategic acquisitions in Finland through the purchase of Academica and Tenue.

The purchases provide the Group with access to the growing Finnish market, an important digital gateway between Europe and Russia.

The integration of the businesses is well underway and the combined entity operates as TelecityGroup Finland.

The prior year acquisitions of Data Electronics and UK Grid are fully integrated into the Group and are providing a valuable contribution.

One of our data centres is situated under Helsinki's Uspenski Cathedral

Overview of performance

2012 was a year of significant operational achievement with 18MW of additional available customer power delivered, representing an increase of 26.5% on the opening position. The fitted-out space also increased 18.5%

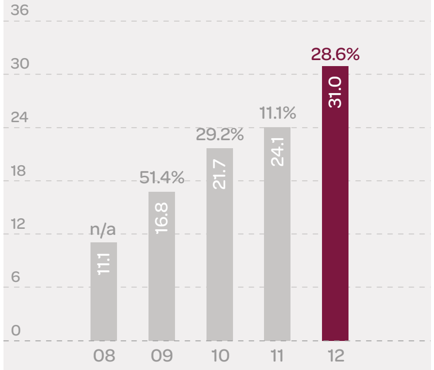
As the majority of this additional capacity was delivered in the second half of the year, the year end occupancy rates slightly reduced and are expected to return to historical levels in the short term as this new capacity is sold.

Through our philosophy of controlled, sustainable and profitable growth, we delivered a strong financial performance to the bottom line.

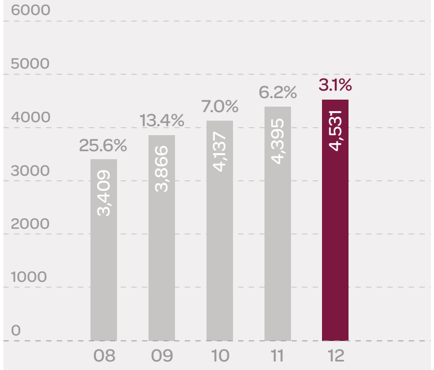
Revenue per occupied sq.m continued to increase due to increasing power densities and inflationary price rises.

ROCE reduced due to the significant investment in the year. The Group's investments have strong rates of return but require upfront expenditure with revenue and EBITA building thereafter.

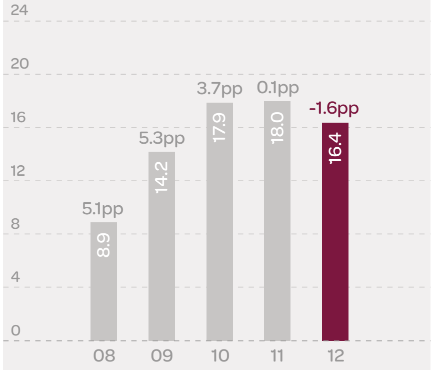
Adjusted diluted EPS and year on year change (%)



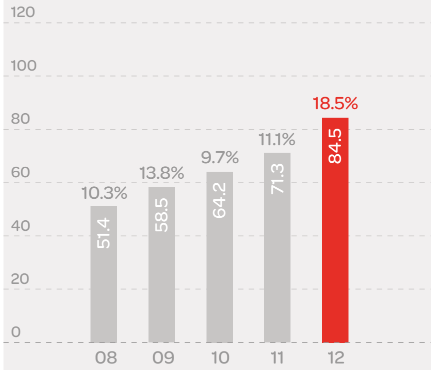
Revenue per sq.m (£) and year on year change (%)



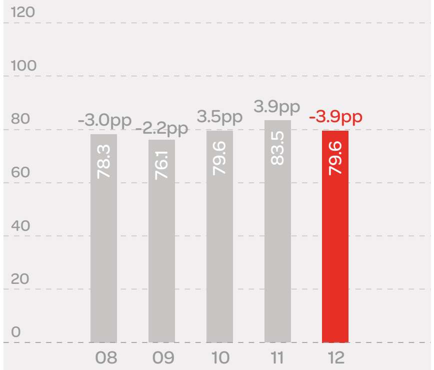
Return on capital (%) and percentage points change (pp)



Fitted-out space ('000 sq.m) and year on year change (%)



Occupancy (%) and percentage points change (pp)



Space and power are integrally linked and either can be a limitation to growth depending on the actual power density of sales compared to the design specification of an individual site.

The acquisitions secured an immediate presence in the Finnish market with 2MW of available customer power and high levels of connectivity.

Furthermore, the Finnish companies have secured expansion for a further 7MW providing the capability for growth in this exciting market.

TelecityGroup Finland is well positioned to take advantage of the opportunities for growth and to capitalise on synergies from the combined operations.

The acquisitions in Helsinki added capacity in a new growth market

The Group uses its adjusted results to assess the performance of the financial KPIs. A reconciliation between the adjusted and unadjusted financial results is contained in note 3.

Risk management

Risk management is at the heart of our business and part of business as usual at all levels.

TelecityGroup risk strategy

The Board considers that the Group should have a low threshold for risk as the nature of its operations are by definition of a high risk nature unless properly mitigated through effective design and high operational standards. All risks are therefore assessed on an unmitigated basis, both in terms of probability and magnitude and the operational and financial mitigations applied accordingly. The importance and probability assessments indicated herein are therefore the unmitigated figures and should not be taken as indicating the actual levels of risk following the operational and financial mitigations applied by the Group.

How TelecityGroup manages risk

The Group's operations expose it to a variety of risks. Effective management of these risks is essential to the delivery of the Group's business plans and strategic objectives, as well as maximising shareholder return. The Group's approach is geared towards early identification of key risks, mitigating or removing those risks and responding quickly and effectively should a risk crystallise.

The Group is committed to the protection of its assets, whether they be physical, financial, human or reputational in nature. Effective risk management assists the Group in delivering its growth strategy, which aims to deliver controlled, sustainable and profitable growth.

The Board has overall responsibility for ensuring that risk is appropriately managed across the Group.

Business risk management

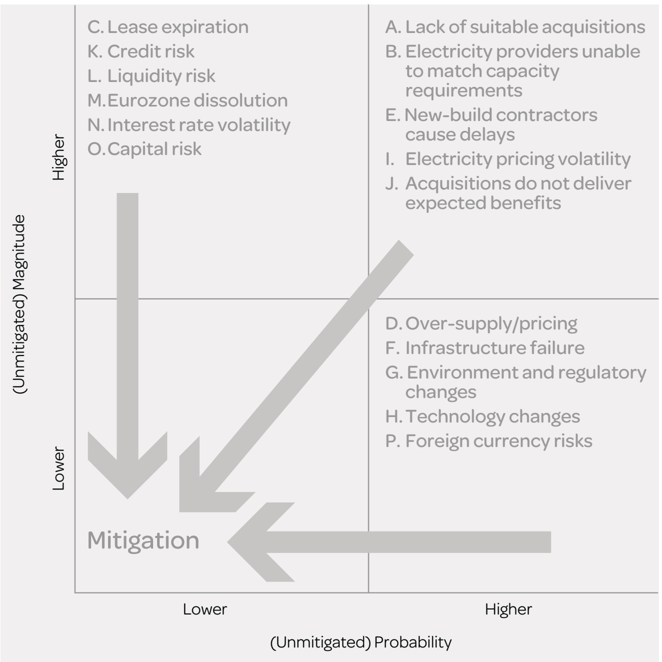
The responsibility for risk identification, analysis, evaluation, mitigation, reporting and monitoring rests with line management. This responsibility is discharged under the guidance of the Risk Working Group ('RWG'), a committee comprising the executive Directors as well as other senior managers. The RWG meets regularly to consider all areas of risk to which the Group is exposed and appropriate steps are taken to reduce or eliminate the risks or mitigate their potential impact.

The principal tool used by the RWG to monitor and report risk is the risk register. The Group maintains risk registers at a country level, which consolidate to form the Group Risk Register. These registers are submitted to the Audit Committee and the Board for review at each meeting.

The risks contained in the risk registers are rated as to their probability of occurring and potential impact. Each risk is assigned to an appropriate senior manager. All current mitigating actions are recorded and any further action required is also documented.

An analysis of our identified principal risks and uncertainties for 2012, which are largely consistent with the prior year, is included on pages 30 and 31.

Principal risks: unmitigated probability & impact



Risk identification, monitoring and reporting framework

Board

- Sets strategic objectives
- Approves risk governance structure and agrees risk appetite
- Sets delegation of authority
- Receives and reviews Group Risk Register
- Receives and reviews Audit Committee reports on risk governance and internal controls

Audit Committee

- Considers adequacy of risk management and internal control framework
- Receives and reviews Group and Country Risk Registers
- Receives and reviews reports from the Risk Working Group
- Receives and reviews reports from independent assurance providers

Risk Working Group

- Conducts continual review of risks and risk controls
- Concludes on treatment of risks
- Reviews and reports on risk to the Audit Committee and Board

Independent assurance

- Internal audit
- External audit
- Quality standards audit
- Insurer and property risk surveyors

Business unit

- Management and employees are responsible for the identification, management and reporting of local risks
- Maintains local risk registers
- Implements risk mitigation plans

Continuous Risk Process

Identification sources
Business units
Health and safety audits
Fire safety audits
Property risk surveys
Risk advisors
Company secretarial
External advisors

Principal risks and uncertainties

The Group has identified the following principal risks and uncertainties in relation to the Group's financial and operational performance in 2012.

These risks are not intended to be an extensive analysis of all risks that may arise in the ordinary course of business or otherwise. Each risk has been allocated as either affecting the business strategically, operationally or financially. The Group's approach to risk management is discussed on page 28.

Strategic risks

	Risk	Potential impact	Mitigation
A	The Group may not be able to find suitable acquisition targets	– Longer lead time to enter new markets – Inability to deliver on one of the key pillars of the growth strategy	– The Group works closely with its extensive network of advisors and other third parties in order to identify potential opportunities
B	Electricity providers may not be able to provide further capacity in markets where the Group expects to expand	– Limits expansion and therefore growth	– Long-term planning with electricity providers to ensure available capacity
C	The Group may not be able to secure the properties that it leases for periods that match the expected life of the data centre	– Inability to provide services to customers – Increased rate of write-off of building infrastructure assets – Reduction in future profitability and cash flow	– Long-term planning in conjunction with property landlords
D	An over-supply of carrier-neutral data centre capacity in Europe could lead to pricing pressure	– Expected returns on investment may not be achieved – Reduction in future profitability and cash flow through loss of custom	– Medium to long-term market analysis is conducted to establish supply and demand dynamics – Careful monitoring of the competitive landscape

Operational risks

	Risk	Potential impact	Mitigation
E	New data centre builds or upgrades to existing data centres could suffer from delays, cost overruns or contractor failure	– Capacity may not be available when customers demand it – Returns on investment may not be achieved – Reduction in future profitability and cash flow	– Skilled and experienced internal and external personnel – Detailed investment appraisal and plans – Each major capital project is managed by a project board and reviewed at Board level – Extensive due diligence performed on contractors
F	The physical infrastructure of a data centre could fail	– Damage to the customers' businesses leading to a reduction in future profitability and cash flow – Damage to the Group's reputation	– Effective initial design resilience – High operational standards to prevent fall-over including maintenance regime and testing, staff training and other operational controls – Disaster recovery communications plan in place – Incident management procedures in place
G	The industry within which the Group operates could be subject to material environmental and regulatory change	– The Group may not be able to win new business or retain existing business – Regulatory changes could increase the cost of doing business	– The Group has an environmental strategy which assists the Group in influencing the direction of new regulation – Accreditation to the appropriate environmental standard and practices – The Group works closely with regulators
H	The market within which the Group operates could be subject to material technological or operational change	– Systems and infrastructure may not be compatible with new technologies or operational techniques which could limit the Group's ability to serve customers – Reduction in future profitability and cash flow	– Close monitoring of industry news and developments – Attendance at appropriate industry events – Working with existing customers to understand their strategies and changing needs

Financial risks

	Risk	Potential impact	Mitigation
I	Electricity pricing could be subject to severe volatility	– Recovery of increased costs may not be possible or may be delayed thereby reducing future profitability and cash flows	– The Group engages specialist consultants to assist in purchasing of power – A number of purchasing strategies reduce the effects of market volatility
J	Acquisitions may not deliver the expected results	– Financial, operational or strategic goals may not be realised – Reduction in future profitability and cash flows	– Due diligence and planning along with the execution of programmes designed to minimise risk of failure – Maximising synergies
K	Credit risk – Customers may not pay when required to or not at all	– Reduction in future profitability and cash flows	– Up-front billing – Credit checks on potential and existing customers performed – Rigorous debt collection procedures – No individual customer concentration
L	Liquidity risk – The Group may not have access to sufficient funds	– Funding of future projects may be limited to internal cash generation	– Maintain adequate capital reserves and banking facilities – Forecasting short, medium and long-term cash requirements and monitoring headroom
M	Eurozone dissolution risk – The Group trades across a number of European countries which would be adversely affected by the collapse of the Euro	– Disruption to European trading caused by withdrawal of common currency – Funding of European projects could be hard to obtain – Reporting risk – Adverse effect on future cash flows	– Medium-term, multi-currency committed facilities are in place – Fully funded capital expansion programme – Strong cash generation
N	Interest rate risk – Borrowings incur variable interest rates based on market rates which could fluctuate significantly	– Costs could increase thereby reducing future profitability and cash flows	– Interest rate swaps employed which convert floating rates to fixed
O	Capital risk – The Group may not have an appropriate capital structure	– May impact shareholder value through pricing of shares in the open market	– Management of leverage – Maintain sufficient cash balances to fund short-term working capital – Manage dividend policy and repayment of debt
P	Foreign currency risk – The Group trades in a number of European countries and could experience significant fluctuations in exchange rates	– Adverse effect on future cash flows – Adverse effect on reported results	– Each Country's revenue and costs are predominantly incurred in the local currency – Significant capital projects are financed in the currency of the relevant Country – Specific strategy not to hedge reporting risk

Group performance and outlook

TelecityGroup enjoyed another excellent year of growth in 2012. The Group delivered strong financial results, with significant growth in revenue, adjusted EBITDA, adjusted EPS and operating cash flows.

During 2012, TelecityGroup experienced incremental demand from a broad base of customer sectors, with the strongest demand coming from the internet content, connectivity, systems integrator and cloud categories. As in previous years, the majority of TelecityGroup's organic order book growth was driven by new or extended orders from its existing customer base.

Year end physical occupancy(1) was 79.6% (2011: 83.5%), which reflects the substantial investments in new capacity made during the year. TelecityGroup's capacity utilisation is a blend of fully utilised mature sites and recently delivered growth capacity. While it is in a strong growth phase, the Group aims to continually bring new capacity online in response to customer demand, as its existing capacity in each market reaches full occupancy.

Revenue per occupied sq.m(1) increased 3.1% to £4,531 (2011: £4,395). This was due to a combination of factors including inflationary price increases, additional power sold to existing customers in existing space and increasing data centre power densities, partly offset by adverse currency movements.

The Group made strong progress with the delivery of its secured capacity expansion programme during the year, which is discussed in more detail below in the Operational delivery section. Significant returns on capital invested to date have been achieved and are expected to grow as occupancy continues to increase on an expanding footprint. These metrics are discussed in more detail in the Financial Review.

TelecityGroup also secured a leading position in the promising Finnish market during the year with the acquisitions of Academica and Tenue. These acquisitions brought 2MW of operational capacity and 7MW of secured growth capacity to the Group, in line with its strategy of looking for accretive acquisition opportunities to augment its organic growth platform.

Operational delivery

In terms of operational delivery, 2012 represented a landmark year for TelecityGroup. The Group opened major capacity expansion projects across its European footprint, overcoming the challenges associated with opening data centre capacity in highly-connected urban areas.

Data centre openings in London Docklands, London Powergate, Manchester, Amsterdam, Frankfurt, Stockholm and Dublin provided 15MW of incremental capacity. In addition to this, the Group acquired two businesses in Helsinki and a data centre in Milan, which together brought an additional 3MW of operational capacity.

This increased year end capacity to 86MW and 84,500 sq.m (2011: 68MW and 71,300 sq.m).

During the year, TelecityGroup also secured further growth capacity which will be brought online in response to customer demand. At the year end, total announced customer power, which includes both operational capacity and secured capacity expansion was 135MW (2011: 124MW).

Current trading and outlook

Demand for carrier-neutral data centres remains robust across TelecityGroup's markets, with growth in customers' requirements for capacity being driven by a continuing increase in the use of the internet by both consumers and businesses.

TelecityGroup entered 2013 with a strong recurring revenue base and available capacity in all of its markets. The Group also has a largely stable and predictable cost base. As such, management are confident that the Group will deliver a strong earnings growth performance in 2013 in line with market expectations.

TelecityGroup is expected to continue to generate substantial operating cash flows, which will be used to create further value for its shareholders. Management plans to invest the majority of these discretionary cash flows in its demand-driven, announced capacity expansion programme, in order to drive further organic growth and to support value enhancing inorganic expansion, where opportunities arise. The Group aims to continue to announce incremental capacity expansion projects in response to customer demand to support its medium- to long-term growth objectives.

The Group intends to maintain its progressive dividend policy, with the growth in dividends expected to be at least in line with adjusted earnings per share.

(1) A glossary of terms is included in note 38.

Premium infrastructure

Our infrastructure provides secure environments for the IT and telecoms equipment which powers the digital economy.

Carrier-neutral digital ecosystems

The high level of connectivity in our data centres creates the ideal environments in which our customers can build mutually beneficial commercial relationships.

Segmental performance in 2012

TelecityGroup has a consistent business model and unified strategy throughout the Group. However, for internal and external reporting purposes, we segment our results between the UK and the other countries of operation ('Rest of Europe'), mainly due to the size of the UK and its different currency to the remainder of the Group. A summary of each of the Group's reporting segments is given below.

United Kingdom ('UK')

TelecityGroup's UK business encompasses leading positions in London and Manchester. London is one of the world's primary internet hubs and Manchester is the UK's second largest internet hub.

TelecityGroup has enjoyed a strong year in the UK, in terms of operating performance, financial results and the progress made to underpin future demand-driven growth. Revenue increased 16.9% to £137.5m (2011: £117.6m) and adjusted EBITDA increased 22.5% to £62.4m (2011: £50.9m).

In regard to capacity expansion, the Group opened major new data centre projects in each of its three UK locations of London Powergate, London Docklands and Manchester. Fitted-out space increased 13.4% to 34,600 sq.m (2011: 30,500 sq.m) and total year end available customer power was 34MW (2011: 27MW). The total announced customer power for the UK division increased to 58MW (2011: 57MW), maintaining a strong pipeline of 24MW of future expansion.

Although the Group had some capacity constraints during the earlier part of the year, it experienced good demand for data centre capacity, with particular strength being seen from connectivity and internet content customer segments. Year end occupancy expressed in space terms was 85.0% (2011: 92.6%), reflecting the large amount of new capacity brought online in the second half of the year. Revenue per occupied sq.m increased 9.9% to £4,803 (2011: £4,369). Revenue per occupied sq.m growth was assisted by increased sales of power within existing space.

Rest of Europe ('RoE')

TelecityGroup's RoE business encompasses strong positions in Amsterdam, Dublin, Frankfurt, Helsinki, Milan, Paris and Stockholm.

As with the UK, TelecityGroup has enjoyed a good year in RoE in terms of operating performance, financial results and the progress made to underpin future demand driven growth. Revenue increased 19.0% to £145.5m (2011: £122.2m) and adjusted EBITDA increased 21.4% to £67.1m (2011: £55.3m).

On an organic basis, the Group opened new capacity in Amsterdam, Dublin, Frankfurt and Stockholm. During the year the Group also established a leading position in the promising Helsinki market via the acquisitions of Academica and Tenue and acquired a data centre asset in Milan.

Total fitted-out space increased 22.3% to 49,900 sq.m (2011: 40,800 sq.m) and total year end customer available power was 52MW (2011: 41MW). The total announced customer power for the RoE division increased to 77MW (2011: 67MW).

The Group experienced good demand in all markets, with particular strength being seen from the content and system integrator customer segments. Year end occupancy expressed in space terms reduced to 75.8% (2011: 76.8%) following the large amount of capacity that was delivered in the second half of the year. Due to foreign exchange movements, revenue per occupied sq.m decreased 2.7% to £4,302 (2011: £4,421). On a currency neutral basis, revenue per occupied sq.m increased by 3.5%.

Michael Tobin
Chief Executive Officer

12 February 2013

Committed power pipeline

We have a customer demand driven pipeline of future capacity which provides growth potential for existing and new customers alike.

"We continue to focus on controlled, sustainable and profitable growth"

Brian McArthur-Muscroft
Group Finance Director

£283.0m
Revenue in 2012

18MW
Customer power delivered in 2012

TelecityGroup's KPI performance during 2012 is set out on page 26.

See page 26

2012 was a year of significant capacity delivery for TelecityGroup and positioned the business well to meet the demands of existing and new customers.

Introduction
The Group's focus on controlled, sustainable and profitable growth has delivered a strong financial performance while executing a significant capital investment programme. Adjusted EBITDA increased 22.0% to £129.5m (2011: £106.2m) and adjusted EPS increased 28.6% to 31.0p (2011: 24.1p).

The Group results benefited from the full year effect of Data Electronics and UK Grid, both acquired during the second half of 2011. Furthermore, the Finnish acquisitions made during the second half of 2012 contributed £3.0m and £0.6m to revenue and adjusted EBITDA respectively.

With approximately half of the Group's business being based in the Eurozone, the weakness of the Euro in 2012 has adversely impacted the Group's reported results due to currency translation. On a currency neutral basis revenue growth was 21.7%.

TelecityGroup continues to have a healthy financial position, with good operating cash flows and a committed bank facility. At the year end the Group had net debt[1] of £254.2m (2011: £164.0m) and a leverage[1] ratio of 2.0 (2011: 1.5). The increase in net debt is due to the organic and inorganic investment expenditure during the year totalling £179.8m (2011: £213.0m). In the future the Group expects to fund its currently announced investment capital expenditure from the operational cash flows of the business. The remaining year end undrawn committed senior debt facilities of £89.5m (2011: £124.3m) allow the Group to capitalise on any future organic or acquisition opportunities that arise which fit closely with the Group's strategy.

For clarity, each of the following sections discusses the Group's adjusted results. The adjusting items are discussed later in this review and a reconciliation between the adjusted and statutory results is contained in note 3.

Revenue
TelecityGroup generated good revenue growth in each of its areas of operation. UK revenue increased 16.9% to £137.5m (2011: £117.6m) and Rest of Europe ('RoE') revenue increased 19.0% to £145.5m (2011: £122.2m).

(1) A glossary of terms is included in note 38.

The Group has a broad recurring revenue base. Over 90% of the Group's revenue is derived from services that are recurring.

Operating costs
With the exception of power costs, which are directly linked to customer usage, the Group has a relatively stable cost base which is kept under constant review to ensure tight cost control is maintained as the Group grows. Operating costs, including depreciation, increased 15.2% to £191.9m (2011: £166.6m) due to the growth in the business. Operating costs as a percentage of revenue decreased to 67.8% (2011: 69.5%). A review of the major cost categories follows:

Power costs of £40.5m (2011: £34.6m) represented 14.3% of revenue (2011: 14.4%). The increase of £5.9m was principally due to increased usage from new and existing customers. The Group seeks to pass on to customers the cost of power directly used by their equipment, together with the associated supporting infrastructure power costs, for example cooling.

Property costs of £36.9m (2011: £32.9m) represented 13.0% of revenue (2011: 13.7%). The increase of £4.0m was mainly due to additional rent and rates associated with new capacity.

Staff costs of £43.4m (2011: £37.9m) represented 15.3% of revenue (2011: 15.8%). The increase of £5.5m was due to an increase in headcount reflecting the Group's expanding capacity, annual salary increases and an increase in share-based payment expenses.

Other costs, comprising operational maintenance costs, sales and administrative costs and cost of sales of services, were £32.7m (2011: £28.2m) and represented 11.5% of revenue (2011: 11.8%). The increase of £4.5m was mainly due to higher cost of sales associated with customer services, along with increased marketing and administration costs as the business grew.

EBITDA
Adjusted EBITDA was £129.5m (2011: £106.2m) and the adjusted EBITDA margin increased to 45.8% (2011: 44.3%).

UK adjusted EBITDA increased 22.5% to £62.4m (2011: £50.9m) and RoE adjusted EBITDA increased 21.4% to £67.1m (2011: £55.3m).

Some other companies exclude share-based payments from their adjusted EBITDA. For comparative purposes, the equivalent figure for the Group was £133.1m (2011: £109.2m).

Summary adjusted income statement

	2012 £'m	2011 £'m	Growth %
Revenue	283.0	239.8	18.0%
Adjusted operating costs	(153.5)	(133.6)	14.8%
Adjusted EBITDA	129.5	106.2	22.0%
Depreciation	(38.5)	(33.0)	16.5%
Adjusted EBITA	91.0	73.2	24.4%
Net finance costs	(7.5)	(6.2)	22.1%
Adjusted profit before tax	83.5	67.0	24.6%
Adjusted tax charge	(20.2)	(18.4)	9.6%
Adjusted profit after tax	63.3	48.6	30.3%
Adjusted diluted EPS (p)	31.0	24.1	28.6%
Adjusted EBITDA margin (%)	45.8	44.3%	150bps

Depreciation

Depreciation was £38.4m (2011: £33.0m), the increase of £5.4m was due to additional depreciation from data centre expansions and acquisitions. For new builds depreciation commences when a data centre, or a part thereof, is brought into use. Depreciation represented 9.6% (2011: 10.8%) of the average net book value of depreciable assets (i.e. excluding assets in the course of construction) and has reduced mainly due to additional capacity openings being weighted towards the second half of the year.

Net finance costs

Net finance costs for the year were £7.6m (2011: £6.2m) and mainly comprised net interest on borrowings of £6.3m (2011: £4.5m), loan commitment fees of £0.7m (2011: £1.4m) and net other finance costs of £0.5m (2011: £0.4m). Interest on borrowings is stated net of capitalised interest of £5.4m (2011: £2.5m) which has increased as a result of the significant investment during the year. The Group is required under IFRS to capitalise interest on the borrowings which fund assets in the course of construction.

Interest accrues on the Group's borrowings at LIBOR, or equivalent based on the currency of borrowings, plus a margin. At the year end the Group had interest rate swaps in place that converted the interest rate on 76.5% (2011: 62.5%) of the Group's borrowings from a floating rate to a fixed rate. The year end valuation of the interest rate swaps is included on the balance sheet under the heading of derivative financial instruments.

The Group's cost of drawn debt[1] during the year was 4.0% (2011: 4.3%). The gross interest rate[1] was 5.1% (2011: 5.4%).

Taxation

The adjusted tax charge for the year was £20.2m (2011: £18.4m) or 24.2% (2011: 27.5%) of adjusted profit before tax. The reasons for the reduction in the tax charge from the previous year are the reduction in the UK corporation tax rate, the greater contribution of Ireland to the taxable profits of the Group and a credit in respect of the utilisation of previously unrecognised losses.

Earnings per share

The growth in revenue together with tight cost control, selective capital allocation and an efficient financing structure have resulted in adjusted diluted earnings per share ('adjusted EPS') increasing 28.6% to 31.0p (2011: 24.1p). Adjusted EPS is calculated based on adjusted profit after tax. A reconciliation between the adjusted and unadjusted profit is given in note 3.

Dividends

An interim dividend of 2.5p per ordinary share or £5.0m (2011: £nil) was paid during the year. Furthermore, the Board is proposing a final dividend of 5.0p per ordinary share in respect of the year (2011: nil). Subject to shareholder approval this will be payable on 19 April 2013 to shareholders on the register at 15 March 2013. Together with the interim dividend paid in 2012, this will bring the total dividend for the year to 7.5p per ordinary share (2011: nil). The final dividend has not been recognised as a liability in these financial statements and will, should it be approved by shareholders, be recognised in shareholders' equity in the year to 31 December 2013.

Summary cash flow statement

	2012 £'m	2011 £'m
Adjusted EBITDA	**129.5**	106.2
Working capital	**2.6**	12.5
Net interest	**(4.4)**	(4.9)
Tax paid	**(14.6)**	(9.0)
Other	**3.4**	1.7
Operating cash flow	**116.5**	106.5
Operational capital expenditure	**(22.8)**	(21.8)
Operating free cash flow	**93.7**	84.7

Return on capital employed

Return on capital employed[1] ('ROCE') was 16.4% (2011: 18.0%). The current year ROCE has been impacted by the effect of the significant current activity in the expansion programme and the acquisitions in the second half of 2012. Despite the Group's phased approach to its expansion projects, it is often the case that capital investment is necessarily front loaded whilst the EBITA builds steadily from the initial opening. The underlying ROCE remains strong and ROCE is expected to return to historical levels in the medium term.

Adjusting items

The Group presents adjusted results in addition to the statutory results as the Directors consider that they provide a useful indication of performance. The items that are excluded from the adjusted results are exceptional items, intangible asset amortisation, other finance items and the associated tax. A reconciliation between the adjusted and statutory results is given in note 3.

Exceptional items of £3.1m (2011: £5.3m) comprise costs incurred on the acquisition and integration of Academica and Tenue, and an adjustment to the onerous lease provision.

Intangible asset amortisation for the year was £3.7m (2011: £2.6m). The increase was due to the acquisitions in the current and previous years.

Other financing items were an expense of £0.5m (2011: income £0.3m) and related to net foreign exchange gains and losses on financing items including borrowings, cash and inter-company loans. The Group seeks to minimise this figure by matching the currency of its financial assets and liabilities in each country.

Cash flow and net debt

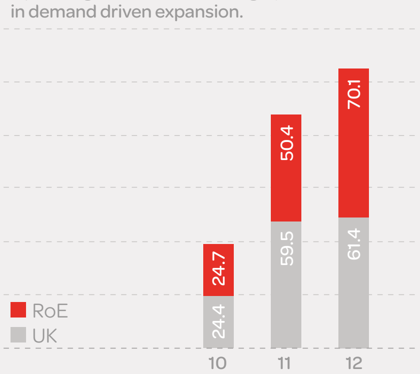
The Group has financed its demand-driven expansion programme through a combination of cash flows from operating activities and bank borrowings principally provided by its senior debt facility. Where appropriate, the Group will purchase certain plant and machinery items under finance lease. The Group's senior debt facility is provided jointly by Barclays, HSBC, Lloyds Banking Group and RBS. In November 2012 this facility was extended from £300m to £350m and the term refreshed to

Analysis of investment expenditure

Our ongoing programme of demand driven expansion has been delivered through organic and inorganic investment.

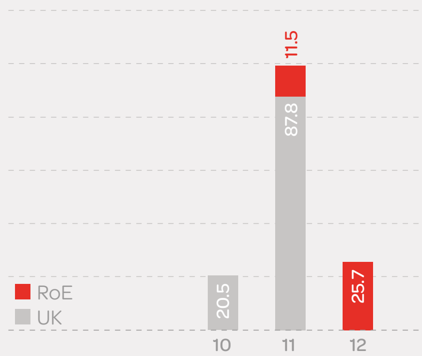
Expansion capital expenditure

Operating free cash flow is largely invested in demand driven expansion.



Acquisitions

The Group makes acquisitions that meet strict investment criteria.



five years. The incremental costs of the extended facility are broadly offset by reduced margin rates. The Group has capacity for additional debt finance should it be needed.

Year end net debt was £254.2m (2011: £164.0m). The increase of £90.2m was largely due to the significant investment expenditure in the year. As a result, the leverage(1) ratio increased to 2.0 (2011: 1.5) and remained within the Group's target range. The Group was in full compliance with its debt covenants, with significant headroom, and expects to remain so. The undrawn committed debt facilities of £89.5m (2011: £124.3m) allow the Group to capitalise on any further acquisition opportunities that arise which fit closely with the Group's strategy.

Operating free cash flow(1) increased 10.6% to £93.7m (2011: £84.7m). The growth in adjusted EBITDA did not fully flow-through to operating free cash flow due to increased tax payments, as the Group moves towards a full tax paying position as tax losses are increasingly utilised, and working capital timing differences. Operating free cash flows were used to partly fund the investment activities which totalled £179.8m (2011: £213.0m). Investment activities comprised acquisitions and related costs of £28.4m (2011: £103.1m), investment capital expenditure(1) of £131.5m (2011: £109.9m), landlord funded capital expenditure of £15.0m (2011: £nil) and the purchase of a freehold of £4.9m (2011: £nil).

The excess of investment activities over operating free cash flow was funded by financing activities. Cash inflows from financing activities totalled £86.5m (2011: £123.9m) and comprised net proceeds from borrowings of £89.5m (2011: £108.8m), costs incurred in extending the value and the term of the Group's senior debt facility of £1.9m (2011: £2.5m), proceeds from the issue of shares of £3.9m (2011: £2.7m) and dividend payments of £5.0m (2011: £nil). In the prior year the Group also received a £15.0m lease incentive.

The above resulted in a net increase in cash for the year of £0.5m (2011: decrease £4.3m).

Balance sheet

The Group has a robust, well-financed balance sheet. Non-current assets increased by £164.4m largely due to the investment activity during the year. Net debt increased by £90.2m as much of the investment was funded by the operating cash flows of the business. Wherever possible the Group minimises its interest charge by using surplus cash to repay borrowings; as such, it is normal for the Group's current liabilities to exceed its current assets. This trend is further exaggerated as deferred income, a non-cash item, makes up a significant part of the current liabilities. A review of the major components of the balance sheet follows.

The Group's intangible assets, which had a book value of £151.0m (2011: £135.8m), comprised acquired customer contracts and goodwill. The increase was predominantly due to the acquisitions of Academica and Tenue during the second half of 2012, partially offset by amortisation and foreign exchange movements.

The carrying value of property, plant and equipment was £589.1m (2011: £438.9m). Accounting additions, including acquisitions, of £191.9m (2011: £160.7m) were made during the year. The depreciation charge for the year was £38.4m (2011: £33.0m). As a significant proportion of the Group's capital assets are denominated in Euros, the relative strengthening of Sterling against the Euro since 31 December 2011 resulted in a foreign exchange decrease in the net book value of property, plant and equipment of £3.1m (2011: £6.3m).

Current trade and other receivables were £34.1m (2011: £26.4m) and increased due to the growth in the business. The Group's trade receivables risk is reduced as customers are generally billed, and pay, in advance of services being provided.

Current trade and other payables increased to £75.7m (2011: £57.9m) due to the growth in the business.

Deferred income was £57.5m (2011: £54.7m), split between current of £38.8m (2011: £35.1m) and non-current of £18.7m (2011: £19.6m). The balance increased due to a larger recurring revenue base.

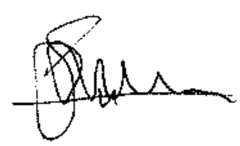
Provisions for other liabilities and charges were £7.1m (2011: £7.8m), split between current of £1.0m (2011: £0.9m) and non-current of £6.1m (2011: £6.9m).

Total equity

Equity shareholders' funds increased during the year by £58.9m to £357.0m and comprised total comprehensive income of £52.7m (2011: £34.8m) and equity transactions of £6.2m (2011: £5.7m).

Total comprehensive income comprised retained profits of £58.1m (2011: £42.6m), reductions recorded directly in equity relating to currency translation on the Group's foreign currency net investments of £3.4m (2011: £7.8m) and a fair value decrease in the Group's interest rate swaps of £2.0m (2011: £nil). The decrease in the Group's foreign currency net investments is due to the strengthening of Sterling against the Euro during the year.

Equity transactions comprise share-based payment credits and share issues. In accordance with accounting standards, the share-based payment expense, included within retained profits, of £3.7m (2011: £3.0m) is added back to reserves along with associated tax of £3.6m (2011: £nil). In addition, the Group received a net amount of £3.9m (2011: £2.7m) in respect of shares purchased and issued under the share option schemes and paid out £5.0m (2011: £nil) in respect of dividends.



Brian McArthur-Muscroft
Group Finance Director

12 February 2013

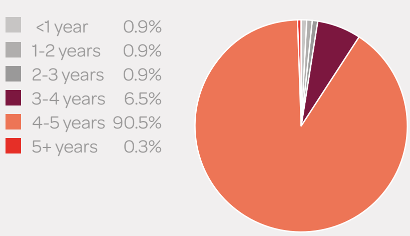
(1) A glossary of definitions in included in note 38.

A strong well funded balance sheet

The Group has a well funded balance sheet with sufficient financing capacity for the currently announced expansion programme. 90.8% of the Group's debt has a maturity of more than four years.

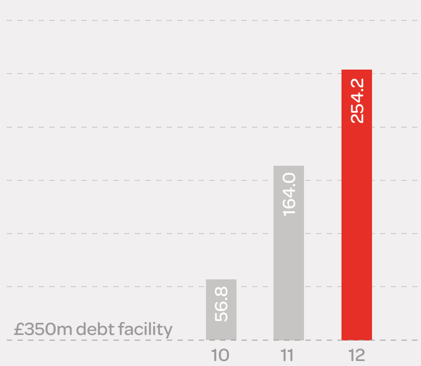
Maturity of borrowings

The maturity of the Group's borrowings is shown below:



Net debt as at 31 December (£m)

Net debt has increased due to acquisitions.



Governance review introduction

"Best practice in corporate governance is best practice for business." This ethos is an integral part of the way TelecityGroup aims to operate. It is an essential factor in our ability to achieve the Group's profitable growth on a controlled and sustainable basis. It is a fundamental element of maximising shareholder value over the long term.

What our ethos means in practice is that:

– The great entrepreneurial drive and ambition in the Group operates within appropriate controls and processes;

– Directors lead from the top in setting the tone as well as the direction of the Group's strategy and management; and

– Implementation of our corporate governance is ever evolving and improving in a similar way to the implementation of the Group's strategy itself.

This governance review, including the individual reports of our Board and four standing Committees, summarises our work in this area in the past year.

Overview

There have been four particularly notable developments in this area for TelecityGroup in 2012:

– We further enhanced the structure of the reporting and discussions at main Board meetings, following on from the evaluation of the Board in 2011. This has enabled us to increase our focus on those matters we consider to be of greatest importance to the Group.

  These enhancements were welcomed by the Board in our 2012 evaluation and are summarised in its report on page 42. Both evaluations are reported on in the report of our Nominations Committee on pages 58 and 59.

– We reviewed the memberships of our standing Committees to ensure they made the best use of the talent of our Directors as well as meeting the highest standards of corporate governance guidelines. As a result:

  – We have increased the membership of our Corporate Social Responsibility ('CSR') Committee to include two of our independent non-executive Directors and an additional member of our senior management;

  – We expanded the membership of our Nominations Committee by the addition of our two most recently appointed independent non-executive Directors; and

  – Our Remuneration Committee now comprises solely independent non-executive Directors, rather than also the Chairman of the Board.

  The memberships of our Committees are shown in the introductory sections of their individual reports later in this governance review.

– Our Board and Committees each set themselves specific objectives at the beginning of the year. These objectives were particular to last year, ongoing from year to year, or to be developed over a number of years. Achievement of these objectives in 2012, and those for the coming year, are summarised in the introductory sections of their individual reports.

– Our Remuneration Committee introduced a new long-term incentive plan for our senior executives. This followed an extensive consultation with our shareholders, the vast majority of whom supported the final proposals at our subsequent Annual General Meeting ('AGM'). Further details of our new long-term incentive plan, and the process for its approval, are given in the Report of our Remuneration Committee commencing on page 60.

UK Code compliance

The Company has complied throughout 2012 in all respects with all the relevant recommendations of the UK Corporate Governance Code (the 'UK Code'). We have included throughout this governance review all of the main principles of the UK Code that apply to the Company. For readers wishing to review the UK Code in more detail, it can be found on the Financial Reporting Council website at www.frc.org.uk.

On behalf of the Board

John Hughes, CBE
Chairman

Simon Batey
Senior Independent Director

12 February 2013

Simon Batey
Senior Independent non-executive Director

John Hughes, CBE
Chairman

Governance calendar for 2012

The overall calendar of meetings of the Board and its Committees for 2012 is shown below:

	Full Report	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Board (main meetings)	p42		●		●		●		●		●		●
Board (conference calls)	p42					●						●	
Strategy meeting	p42										●		
Audit Committee	p47	●						●			●		
CSR Committee	p50		●						●				●
Nominations Committee	p56		●						●		●		●
Remuneration Committee	p60		●		●				●		●		●
AGM	p60				●								

Specific calendars for the Board and its Committees are shown in their individual reports within this review.

Meeting attendance by Directors in 2012

The attendance of Directors at the meetings of the Board and its Committees is shown below:

● Attended

○ Conference call not attended due to unavoidable external commitment – input provided in advance of the call

	Board meetings and calls	Audit Committee meetings	CSR Committee*	Remuneration Committee*†	Nominations Committee
John Hughes*	● ● ● ● ● ● ● ●		● ● ●	● ●	● ● ● ●
Michael Tobin†	● ● ● ● ● ● ● ●		● ● ●	● ● ● ●	● ● ●
Brian McArthur-Muscroft	● ● ● ● ● ● ● ●	● ● ●			
Simon Batey	● ● ● ● ● ● ● ●	● ● ●		● ● ● ● ●	● ● ● ●
Maurizio Carli*	● ● ● ● ● ● ● ●	● ● ●	● ●	● ● ● ● ●	● ● ●
Sahar Elhabashi*	● ● ○ ● ● ● ○ ●	● ● ●	● ●	● ● ● ● ●	● ● ●
John O'Reilly	● ● ● ● ● ● ● ●	● ● ●		● ● ● ● ●	● ● ● ●

* As part of the review of Committee memberships in April 2012 commented on in the overview on the previous page:
- Maurizio Carli and Sahar Elhabashi were appointed to the CSR and Nominations Committees.
- John Hughes stepped down as a member of the Remuneration Committee.

† Michael Tobin does not attend meetings of the Remuneration Committee whilst it is considering matters in relation to his own remuneration.

All Directors attended the strategy meeting and AGM.

"It is an essential part of the ongoing success of any business that it should be led by directors with the relevant skills, knowledge and experience to do so."
John Hughes, CBE, Board Chairman

Read the full Report of the Board on page 42

"The integrity of the Group's financial results and the effectiveness of its risk management and internal control systems are important both to Directors and to shareholders."
Simon Batey, Audit Committee Chairman

Read the full Report of the Audit Committee on page 47

"The Board established a CSR Committee in recognition of the importance it places on these activities of the Group."
Michael Tobin, CSR Committee Chairman

Read the full Report of the CSR Committee on page 50

"Having the appropriate range of high calibre Directors on our Board is key to determining and achieving success in the Group's strategic objectives."
John Hughes, CBE, Nominations Committee Chairman

Read the full Report of the Nominations Committee on page 56

"The structure and levels of the remuneration of the Group's executive Directors and other members of its senior management are key elements in the Group successfully achieving and sustaining its strategic aims."
John O'Reilly, Remuneration Committee Chairman

Read the full Report of the Remuneration Committee on page 60

For any reader wishing to obtain more detail on the responsibilities of the Board Committees, their terms of reference are included on the Group's website at:

www.telecitygroup.com/investor

Our Board

UK Code Principle:
'The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.'

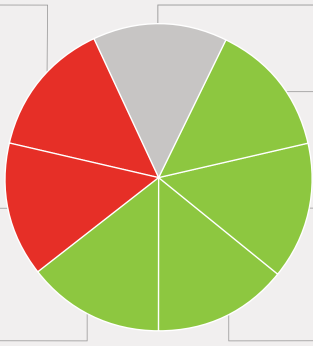
	John Hughes, CBE	Michael Tobin	Brian McArthur-Muscroft
Role	**Chairman**, leading the Board of Directors *(Report on page 42)* and working with management on strategic and other matters. He is also **Chairman of the Nominations Committee** *(Report on page 56)* and a member of the CSR Committee.	**Chief Executive Officer**, leading the management of the Group and the formulation and implementation of its strategy; and **Chairman of the CSR Committee** *(Report on page 50)*.	**Group Finance Director**, leading the planning and implementation of the financial strategy of the Group and associated external financing along with its financial reporting, policies and controls.
Appointment date	October 2007	July 2007 (with the Group since March 2002)	July 2007 (with the Group since January 2007)
Experience	More than 30 years' experience leading complex, high technology businesses operating at a global level. Significant experience of managing growth companies, especially those supplying complex solutions and services to business customers; of mergers and acquisitions; of international/channel expansion; and of development of leadership teams. Held senior executive positions at Thales Group, latterly executive vice president and chief operating officer, responsible for an organisation with over 25,000 people; Lucent Technologies where his responsibilities included being president of its worldwide GSM and UMTS businesses; and Hewlett Packard. Until 2010, non-executive chairman of Intec Telecom Systems plc, a non-executive director of Chloride Group plc, and non-executive deputy chairman of Parity Group plc.	Over 25 years' experience in senior roles across the telecommunications and technology sector. Joined Redbus Interhouse (a constituent part of the Group) in 2002 as Sales and Marketing Director, becoming Chief Executive Officer in 2003. Subsequently led the merger with TeleCity, the acquisition of Globix and the Group's successful IPO in October 2007. Prior to joining the Group: headed up Fujitsu's e-Commerce operations in Germany; ran ICL's Danish outsourcing subsidiary out of Copenhagen; held senior positions based in Paris for over 11 years, including with International Computer Group and Tricord Systems Europe; and was Managing Director of Goupil UK. Career recognition: 'Lifetime Achievement Award for Contribution to the Data Centre Industry' in 2011 DCE Awards; 2010 Ernst & Young Entrepreneur of the Year for UK IT Services. Previous recognition includes: 'Data centre Leaders' Awards Industry Leader of the Year'; techMARK 'Personality of the Year'.	Over 25 years' experience dealing with financial strategy, with the last 20 specialising in the telecommunications and technology sector. Prior to joining the Group: Finance Director of Viatel, a pan-European communications business; Eckoh Technologies plc, a UK-listed telecommunications and technology group; Cable and Wireless HKT Multimedia; and Director of Risk Management for Cable and Wireless Asia. Qualified as a Chartered Accountant with PricewaterhouseCoopers in London, specialising in business restructuring and turnaround assignments. Responsible as interim CFO for the financial turnaround of Worldcom EMEA. Career recognition: Winner of the ICAEW FTSE 250 Finance Director of the Year 2012. In addition, TelecityGroup won 'Deal of the Year' at the 2011 ACT and CBI Industry Awards for its £200m five-year Senior Debt Facility.
External appointments	Non-executive chairman of Spectris plc and Sepura plc. Non-executive director of CSG Systems International, Inc. and The Vitec Group plc.	Non-executive director of Pacnet, Asia Pacific's leading provider of integrated network and technology solutions for enterprise, service provider, and carrier customers.	–
Charitable and other	Ambassador for the Alzheimer's Society. Awarded the CBE for services to international telecommunications in the Queen's 2011 New Year Honours List. Holds a BSc in Electrical and Electronic Engineering. Has lived and worked in the US and mainland Europe as well as the UK.	Board member of Byte Night, which raises money for Action for Children; The Technology Leadership Group and The Internet & Media Leadership Group of the Prince's Trust; fundraising advisory boards of Great Ormond Street Hospital and Make a Wish Foundation UK; and Chairman of the Friends of The Loomba Trust. Has lived and worked in mainland Europe as well as the UK.	A member of the corporate development board for the National Society for the Prevention of Cruelty to Children and the responsible officer for Hockerill Anglo European College. Fellow of the Institute of Chartered Accountants and holds a Law degree. Has lived and worked in Asia and Australasia as well as the UK.

Simon Batey	Maurizio Carli	Sahar Elhababshi	John O'Reilly
Senior Independent Non-Executive Director, Chairman of the Audit Committee *(Report on page 47)* and a member of both the Nominations and Remuneration Committees.	**Independent Non-Executive Director**, and a member of the Audit, CSR, Nominations and Remuneration Committees.	**Independent Non-Executive Director**, and a member of the Audit, CSR, Nominations and Remuneration Committees.	**Independent Non-Executive Director, Chairman of the Remuneration Committee** *(Report on page 60)* and a member of both the Audit and Nominations Committees.
October 2007	May 2011	May 2011	October 2007
Over 20 years' experience in senior finance roles with particular experience in the construction and utility industries. Qualified Chartered Accountant, having spent the first 12 years of his career at Armitage and Norton (now part of KPMG), latterly as a partner of the firm. Between 2000 and 2006, group finance director of United Utilities plc. From 2006 until 2007, chief financial officer of Thames Water Utilities Limited. From 1987 to 2000, worked for AMEC plc, initially as deputy group finance director and then, from 1992, as group finance director. A non-executive director of Arriva plc from 2003 to 2010 and has also served as a non-executive director of THUS Group plc. A member of the Postal Services Commission, responsible for the regulation of the UK postal services sector from 2010 until 2011.	Significant experience of managing high growth European organisations with direct insight into cloud computing related businesses. Role at VMWare extends to strategic planning, business operations and the management of key functions including sales channels, services and marketing, continuing to grow the region at high pace. Previously at Google on a short-term assignment; spent five years at Business Objects as senior vice president and general manager, EMEA, being responsible for sales, pre-sales, marketing, finance, customer support and global services. Spent 19 years at IBM, latterly as vice president of software group for IBM EMEA and previously vice president and general manager for IBM's Tivoli Systems Division, and held sales and sales management positions in the government, education and healthcare sectors for IBM Italy.	Broad experience in the media sector having played a key role in helping build international media organisations over the last 20 years. Previously, was chief operating officer of Discovery Networks International from 2007 to 2010, responsible for the day-to-day operations of Discovery's international business, which distributed 17 media brands to 877 million subscribers globally. Prior to this, was at MTV Networks International from 1992 to 2007, where her responsibilities included managing strategy, business development, digital media, consumer products and programme sales. Before joining MTV, worked as a consultant for the Boston Consulting Group.	Particular experience in eCommerce, marketing, public relations, public affairs, property and business development. Experience within the highly-regulated betting and gaming sector includes being a founder director and former vice chairman of the Remote Gaming Association. Until 2010, managing director of remote betting and gaming at Ladbrokes, joining the Ladbrokes plc board following the completion of the sale of the Hilton International hotels division in February 2006. Led the Ladbrokes eGaming division from its establishment in 2001 until 2010, with responsibility for international development, including Ladbrokes' growing retail joint venture in Spain, and oversaw Ladbrokes' core bookmaking function.
Non-executive director of Blackrock New Energy Investment Trust plc since 2010.	Senior vice president and general manager EMEA for VMWare, the global leader in virtualisation and cloud infrastructure, responsible for managing the EMEA region.	Executive vice president, chief operating officer of Condé Nast's Entertainment Division. This new division of Condé Nast is mandated with developing video content businesses based on its portfolio of magazine brands including Vanity Fair and Vogue.	Managing director of Coral Interactive, the online and telephone betting and gaming arm of Gala Coral Group.
Fellow of the Institute of Chartered Accountants and holds an MA in Geography from Oxford University.	Holds a BSc in Electronic Engineering from the Politecnico di Milano in Italy.	Holds an MBA from Columbia Business School and a BSc in Economics from the Massachusetts Institute of Technology. A native of Alexandria, Egypt and a US resident and citizen.	Holds a first class honours degree in Business.

Report of the Board

Membership of the Board

The UK Code provides that independent non-executive Directors should comprise at least half of the Board, excluding the Chairman.



- In addition, the Director of Marketing and Communications, the Group Financial Controller and the Country Manager of the UK regularly attend and participate in Board meetings;
- One other country manager also generally attends most main meetings to give specific presentations on their businesses so that the Board meets most country managers during the year;
- At least one external speaker is invited to present at most main meetings, usually on a matter of strategic interest; and
- External speakers are also invited to attend specific strategy meetings. These may include customers, suppliers and specialist professionals in aspects of the Group's industry.

Specific objectives achieved in 2012

- Focussed on the Group's plans to grow and innovate;
- Reviewed how technological change and innovation are transforming the business landscape and impacting the Group;
- Enhanced the structure of Board reports and discussions;
- Obtained greater external input on strategic matters; and
- Considered short-term and long-term strategic issues separately, including how to creatively enter new markets through developing local relationships.

Specific objectives set for 2013

- Continue to focus on the Group's plans to grow and innovate;
- Follow up on results of 2012 Board evaluation on discussion topics and investor expectations;
- Continue to understand how technological change and innovation are transforming the business landscape and impacting the Group;
- Focus on asymmetric information risk and seek out dissenting views; and
- Obtain focussed external input on strategic matters.

UK Code Principles:
'Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.'

'There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.'

'The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.'

John Hughes, CBE
Chairman

It is an essential part of the ongoing success of any business that it should be led by directors with the relevant skills, knowledge and experience to do so. Their contributions should then be maximised.

This is what I aim for in TelecityGroup. It is, and will remain key to the ongoing success of our business.

As part of this, my colleagues on the Board:

- Contribute a wealth and range of knowledge, experience and skill sets to the Board, our Committees and more widely in the Group; and
- Have been appointed to our Board and Committees, over a period of years, ensuring their memberships are progressively refreshed.

Details of our individual Directors and when we were appointed to the Board are shown in our biographies on pages 40 and 41. A diagram showing the progressive timing of our appointments is included in my report as Chairman of the Nominations Committee on page 57. The introductory sections of the reports of our Committees later in this governance review show when their members were appointed.

In this report, I summarise our activities in the past year as a Board.

Developments during the year

Following the output from our evaluation of the Board in 2011, we refreshed the structure of reports presented at our meetings, and our discussions on these. Management reports on the business were, and remain, comprehensive, analytical and largely self-explanatory. Recognising this, I agreed with my Board colleagues that we could focus our attention at each main meeting on higher level and strategic matters, whether arising from these reports or otherwise.

This has included:

- My discussions with the executive Directors at the beginning of the year to agree an outline of the particular subjects we feel should be considered by the Board during the year;
- A greater proportion of each meeting spent in open discussion on key matters having reviewed and considered the more detailed reports in advance;
- Presentations from external experts on at least one matter of strategic interest at most main meetings, supplementing the discussions at our separate strategy meeting, and increasing our consideration of strategy throughout the year;
- Increased consideration of technological change and innovation within the Group and more generally, in part through presentations by external speakers; and
- Greater and separate consideration of both shorter and longer-term strategic matters, including the Group's plans to grow, innovate and enter new markets such as it did during 2012 in Finland.

As confirmed by the results of our Board evaluation in 2012 (more fully detailed in the report of our Nominations Committee on page 58), these improvements have, I believe, further enhanced the effectiveness of our Board.

Division of responsibilities

Clarity of the responsibilities of, and constructive working relationships amongst, our Directors are at the heart of our Board achieving its maximum potential. Most important in these are the responsibilities of and clarity between the roles of Mike Tobin as Chief Executive Officer and me as Chairman. As recommended by the UK Code, we have a clear written division of responsibilities between our roles. In practice, though, the relationship between us is successful because of the constructive way in which Mike and I work together. We often discuss matters before and after they are considered at Board meetings. Where we are not initially in agreement, we debate matters to reach a mutual understanding of each other's views, at which point the way forward is generally clear. A summary of our individual responsibilities, and those of our Senior Independent Director and Company Secretary, undertaken in 2012 is given in the diagram below.

Board meetings

As shown in the governance calendar for 2012 on page 39, we hold six main Board meetings each year at two-monthly intervals. These meetings, together with any meetings of our Committees, are generally held at our offices in London over a period equivalent to approximately one day.

At least twice each year, we meet at one of the Group's other locations, where a major new data centre build is underway. In 2012, we visited Dublin and Manchester, where we toured the existing facilities and those in the process of construction, as well as meeting local management.

We held an additional full day strategy meeting in 2012. This took place at a non-Group location and included presentations by a number of external speakers. When appropriate for specific matters, we also meet (usually by telephone conference) between main meetings.

We have a schedule of matters specifically reserved to the decision of the Board. We have designed this to ensure that the decisions of the greatest significance are considered by our Board as a whole.

A high level summary of key matters considered and decided at each Board meeting and strategy meeting during 2012 is shown in the Board Calendar on pages 44 and 45

The day-to-day management of our business is delegated to management within defined authority limits. This includes approval of customer and supplier contracts and routine capital expenditure within those limits. Between Board meetings, Mike Tobin and I keep in touch on key matters, and we involve other Directors or the Board as a whole where either of us feel this is appropriate.

The operation of the business is reported on to the Board as set out on pages 44 and 45

Division of Board responsibilities

Chairman

- Agreed with the Executive Directors subjects for particular consideration by the Board during the year
- Led the Board in ensuring that Directors were able to maximise their contributions
- Led the annual evaluation of the Board with the Senior Independent Director
- Provided strategic insight from his wide-ranging business experience and contacts built up over many years
- Provided a sounding board for the Chief Executive Officer on key business decisions, challenging proposals where appropriate
- Met with major shareholders on governance matters and was an alternate point of contact to the Chief Executive Officer for shareholders on other matters as well

Chief Executive Officer

- Worked with the Chairman in agreeing subjects for particular consideration by the Board during the year
- Led the business and the rest of the management team
- Led the development of the Group's strategy with input from the rest of the Board
- Led the management team in the Group's acquisitions in Finland and in new build decisions
- Was the principal public face of the Group with shareholders, customers, suppliers and the industry generally
- Brought matters of particular significance or risk to the Chairman, for discussion and consideration by the Board if appropriate

Effective division of responsibilities and Board operation

Senior Independent Director

- Worked with the Chairman on the annual evaluation of the Board
- Led the evaluation of the Chairman
- Provided input to management on business governance matters (commented on further in the report of the Audit Committee) as well as more generally
- Reviewed governance processes in the construction of a key new data centre
- Met with major shareholders on governance matters and was available as a further point of contact for shareholders on other matters as well

Company Secretary

- Secretary to the Board and each of its Committees, reporting directly to their Chairmen
- Assisted the Chairman and Executive Directors in bringing the matters they had determined appropriate for consideration during the year onto specific meeting agendas
- Assisted the Chairman and Senior Independent Director in the evaluation of the Board
- Kept the Board and its Committees informed on governance matters, advising on these through their Chairmen
- Assisted in the ongoing development of Group policies

Board calendar for 2012

At specific meetings

January

February

Reviews of:
- Plans for the new structure of Board agendas and discussions
- Netherlands business (presented by Netherlands country manager)
- Post acquisition performance of Data Electronics in Dublin
- End-to-end acquisition processes

Discussions regarding geographic expansion

Approval of proposals to be submitted to the AGM

Review and approval of annual results, including:
- Report of the Audit Committee
- Preliminary announcement
- Investor presentation
- Annual Report
- Plans for maiden dividend

Approval of new Code of Ethics for the Group

External presentation on cloud computing

March

April

Ongoing discussions regarding geographic expansion

Review of and changes to committee memberships

Reviews of:
- UK new build alternatives
- Post acquisition performance of UK Grid
- French business (presented by French country manager)

Finalisation of Board and Committee objectives for the year

External presentation on mobile telephony market

May

Review and approval of Interim Management Statement, including ongoing expansion plans

June

Review of expansion and acquisition opportunities including in Finland

Comparison between assumptions at IPO and current Group position

Discussions relating to planned dividend

Reviews of:
- Business cases for expansion in:
  - Docklands
  - Paris
- IT in the Group

Review of Irish business (presented by Irish country manager) including visit to Dublin:
- Existing sites
- Potential expansion sites

At each main meeting

Review and discussion of:
- Acquisition opportunities
- Strategic considerations
- Trading results and KPIs
- Current and planned new build projects and significant capital expenditure plans and progress

Review of reports on:
- Customer pipeline and forecast updates
- Site fill rates
- Financing and accounting matters
- Risk management
- Health and safety
- Environmental matters

UK Code Principle:
'The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.'

How the Board operates

The Chairman, along with the executive Directors and Company Secretary, has established Board processes designed to maximise its performance. Key aspects of these are shown below:

- The Chairman, executive Directors and Company Secretary meet towards the beginning of each year to agree an overall calendar of subjects to be discussed by the Board during the year.
- Individual Board meetings are timetabled to ensure adequate time for discussion of each agenda item for that particular meeting.
- Board discussions are held in a collaborative atmosphere of mutual respect and open discussion allowing for questions, scrutiny and constructive challenge where appropriate.
- Full debates on key matters allow decisions to be taken by consensus (although any dissenting views would be minuted accordingly).
- The development of strategy is led by the Chief Executive Officer with the Group Finance Director, with input, challenge, examination and ongoing testing from the non-executive Directors.
- Group strategy is reviewed by the Board most particularly at strategy meetings, with particular strategic matters being reviewed and updated as appropriate at each main meeting.
- Good working relationships also exist between non-executive Directors and non-Board members of the senior management, which are encouraged by the executive Directors.
- Members of the senior management team draw on the collective experience of the Board, including its non-executive Directors.
- Comprehensive reporting packs are provided to the Board, which are designed to be clear, accurate and analytical, whilst avoiding excess and unnecessary information.
- Reporting packs are normally distributed four working days in advance of Board meetings, enabling them to be as up-to-date as possible whilst allowing sufficient time for their review and consideration in advance of the meeting.
- Clarification or amplification of reports is sought in advance of, or at, meetings as appropriate.
- Once goals have been set and actions agreed, the Board receives regular reports on their implementation.
- Comprehensive management accounts with commentary and analysis are distributed to the Board on a monthly basis.
- The Board reviews risk management at each of its main meetings and challenges this where appropriate.
- The Board systematically visits the Group's business locations both to review its operations and new builds and to meet with local management.
- All Directors have open access to the Group's key advisors as well as to management and the Company Secretary.
- Directors are also entitled to seek independent professional advice at the Group's expense should they consider this appropriate.

July

August

Visit to sites in Manchester

Reviews of:
- Expansion plans for Dublin
- Public affairs matters across Europe
- Italian business (presented by Italian country manager)

Follow up review of French business

Discussions regarding potential Finnish acquisitions and approval of acquisition of Tenue

Agreement of discussion topics for strategy meeting

Review and approval of half year results, including:
- Report of the Audit Committee
- Announcement
- Investor presentation
- Declaration of maiden dividend

External presentation on media markets

September

October

Strategy meeting, including reviews of:
- Macroeconomic landscape
- Market consolidation prospects
- Where and how growth was expected to evolve
- Equity market perspectives of the industry
- The Group's cost of capital
- Maintenance of ongoing growth investment proposition

Agreement of appropriate strategic actions

Reviews of:
- Swedish business (presented by Swedish country manager)
- Proposed acquisition of Academica
- Proposed increase in banking facilities to £350m for ongoing expansion

External presentations regarding corporate structuring and market activity

November

Appointment of Barclays and Goldman Sachs as Corporate Brokers

Approval of acquisition of Academica

Review and approval of interim management statement, including:
- New capacity brought online
- Completion of increase in banking facilities to £350m for ongoing expansion
- Acquisition of Academica

December

Initial reviews of:
- Actions from October strategy meeting
- Finnish business post acquisition

Review and approval of 2013 budget

Reviews of:
- Results of Board evaluation and agreement of actions from this
- German business (presented by German country manager)
- Shareholder and market considerations (presented by the Group's Head of Investor Relations)
- Independent non-executive Director remuneration (by the Chairman and executive Directors)

Review and discussion of:
- Investor relations and feedback
- Corporate communications
- Minutes of previous meetings
- Reports on implementation of actions agreed at previous meetings

UK Code Principle:
'As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.'

Case study: Implementing TelecityGroup's growth strategy

Harbour Exchange: Expansion in response to increasing customer demand

The Board ensures successful execution of the Group's business strategy through appropriate monitoring and timing of key decisions.

The process for, background to, and execution of the expansion of the Group's Harbour Exchange facilities highlighted on page 18 followed a cyclical model typical in such new builds by the Group:

Board of Directors

Monitoring fill rate of existing capacity

From opening, the fill rate of each of the Group's facilities is closely monitored and reported to the Board.

Identification of expansion options

As an existing site fills, alternatives for expansion to meet future demand whether at current or new sites are reviewed and reported to the Board.

Commitment to the new build

Once an expansion option is selected, the property, necessary power and planning permissions are secured following approval by the Board of a comprehensive business case presented by Group and country management.

Monitoring of new build

Contractors are engaged to handle the construction process, progress in which is then reported to the Board at each main meeting.

Opening of new facility

As construction approaches completion, the results of the site testing are reported to the Board and the site opens in phases to meet ongoing demand.

Maximising Director contributions

I seek to maximise the contribution of our Directors at and, where appropriate, outside Board and Committee meetings on an ongoing basis.

I chair our Board and Nominations Committee meetings in a way that ensures full and open discussions, as my fellow Chairmen of our other Committees do with their meetings.

In addition, I ensure that appropriate training is available to all our Directors. Such training covers the Group, its industry and governance matters more generally. I review this annually as part of the evaluation of the Board. During 2012, this training included attendance at seminars by individual Directors:

- Run by the Financial Reporting Council, the Institute of Chartered Accountants, and major accounting firms;
- On financial reporting, executive remuneration and more general business matters.

It also included briefings from our Group Finance Director, Company Secretary, Auditors, lawyers and investment bankers on subjects including:

- The UK Government consultation on executive remuneration (in which our Remuneration Committee participated);
- The resulting Government reforms of executive remuneration;
- Updated guidance on remuneration from institutional shareholder groups;
- The Financial Reporting Council's revisions to the UK Code and guidance for audit committees; and
- Key financial reporting developments.

As outlined in our report in last year's Annual Report (which can be viewed on the Company's website), we also have a comprehensive induction process for the appointment of new Directors. In line with the results of our 2011 Board evaluation, this process will be further enhanced when we next appoint a new Director after which I will report on it again.

Management of conflicts of interest

My Board colleagues and I avoid conflicts of interest with the Group as far as possible. Indeed, one of the criteria for our appointment as Directors was that we were free from any such conflicts. Nonetheless, actual or potential conflicts of interest can arise occasionally during a Director's tenure and the Board has a set procedure in place under the Company's Articles of Association to deal with these as follows:

- Actual and potential conflicts of interest are notified to the Board before they arise.
- On such notification, the other Directors consider whether to authorise the actual or potential conflict of interest and, if so, under what conditions.
- Such conditions could limit the distribution or use of information to or by a Director or include the Director absenting themselves during discussions on the relevant matter.

No Director notified any actual conflict of interest during the year.

Decisions regarding transactions with Directors and their related parties are always dealt with by other Directors. For example, matters regarding the remuneration of the executive Directors and me as Chairman are handled by the Remuneration Committee.

The year ahead

It was clear from the responses in our Board evaluation in 2012 that the enhancements to our Board processes in the past year have been welcomed by all Directors. I want to build on these in 2013. I have agreed with my Board colleagues the further actions arising from our 2012 evaluation summarised in my report as Chairman of the Nominations Committee on page 58. I have already met with the executive Directors to formulate these into a more detailed agenda for the coming year. I look forward to reporting on further progress next year.

John Hughes, CBE
Chairman

12 February 2013

Dialogue with shareholders

The Board recognises that it is managing the Group ultimately on behalf of its shareholders.

It undertakes this responsibility in such a way so as to maximise shareholder value over the long-term and to advance the interests of all of the Group's stakeholders.

A mutual understanding of these objectives between shareholders and the Board as a whole has been developed as set out below.

- The Chief Executive Officer and Group Finance Director meet with institutional shareholder representatives regularly during the year to discuss strategic and other matters as well as to give presentations on the Group's results (copies of which are available on the Company's website).
- The Board receives reports from the executive Directors of feedback from institutional shareholders at main Board meetings, as well as reports from the Head of Investor Relations who is available to speak with shareholders at any time.
- The Chairman and Senior Independent Director initiate and hold meetings with a number of the Company's largest institutional investors on governance and other matters, key points from which are reported to the whole Board.
- The Chairman of the Remuneration Committee consults with major shareholders before any significant changes in executive remuneration and reports the results to the full Committee, commented on further in the report of that committee commencing on page 60.
- The Company's Annual Report and Notice of AGM are published as soon as the time required for their printing allows (normally around the beginning of March) to provide the maximum time in advance of the AGM for feedback on these, which is shared with the relevant Directors.
- A presentation is given to shareholders attending the Company's AGM at which shareholder participation is encouraged, all Directors are present and questions and feedback are invited.
- Proxy votes of shareholders for the AGM are tabulated independently by the Company's registrars, announced at the meeting and published on the Group's website shortly after the conclusion of the AGM.

In addition, all Directors are able and available to meet with shareholders if so requested. In particular, the executive Directors, the Chairman and the Senior Independent Director are all available to discuss matters with shareholders at any time. They can all be contacted through the Company Secretary or the Head of Investor Relations.

Details of the substantial shareholders of the Company are set out in the Directors' Report on page 96.
For more information contact us at ir@telecity.com or www.telecitygroup.com/online-enquiry.htm

UK Code Principles:
'There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.'

'The board should use the AGM to communicate with investors and to encourage their participation.'

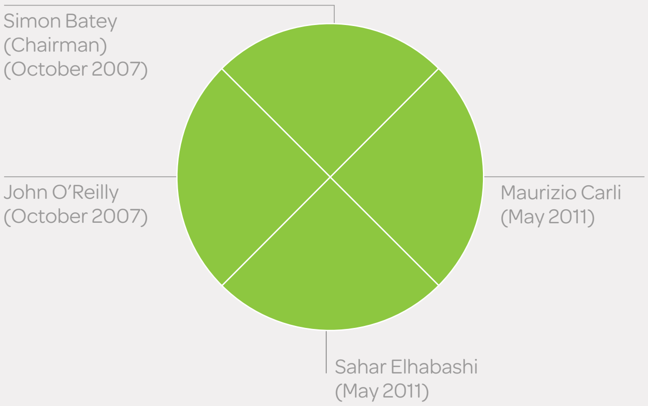
'All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.'

Report of the Audit Committee

Membership of the Audit Committee

The UK Code provides that all members of the Committee should be independent non-executive Directors.

Independent non-executive Director (with month of appointment to Committee)



- The Chairman, whose biography is included on page 41, has recent and relevant financial experience from a number of finance director and audit committee roles;
- The Group Finance Director and other senior members of financial management attend and present at meetings (other than during private discussions between the Committee and the Auditors);
- Representatives of the external Auditors attend and present at meetings (other than during discussions regarding their performance); and
- The internal Auditor also attends and presents at meetings.

Specific objectives achieved in 2012

- Stayed focussed on the Committee's top priorities of financial reporting and related internal control risk;
- Continued to monitor accounting judgements and estimates;
- Considered whether the financial statements and disclosures 'told the Company's story';
- Aimed to cut any verbiage from the Annual Report;
- Monitored regulatory initiatives on auditor independence and transparency, and considered the implications for the Audit Committee; and
- Reviewed Group tax matters.

Specific objectives for 2013

- Continue to stay focussed on the Committee's top priorities of financial reporting and related internal control risk;
- Continue to monitor accounting judgements and estimates and prepare for any accounting changes;
- Continue to consider whether the financial statements and disclosures "told the Company's story";
- Review the Group's initiative to improve consistency in the recording of risks and the actions to manage them; and
- Review internal audit effectiveness in line with the Chartered Institute of Internal Audit requirements.

UK Code Principle:
'The board should present a fair, balanced and understandable assessment of the company's position and prospects.'

Simon Batey
Audit Committee Chairman

The integrity of the Group's financial results and the effectiveness of its risk management and internal control systems are important both to Directors and to shareholders. They are also critical to the way the Group's business is operated as they are required to measure and to sustain achievement of its strategic objectives.

As the Audit Committee, we assist the Board in its oversight and monitoring of financial reporting, risk management and internal controls. We test and challenge these areas in conjunction with management and the internal and external auditors as appropriate.

In this report, I summarise our activities in 2012.

Developments during the year

In the past year, along with the management team, we:

- Introduced a new Code of Ethics, providing a reference point for the high standard of conduct we expect from all our Directors and employees in the operation of the Group's business;
- Instigated a process for the ongoing monitoring of, and training in, the Group's anti-bribery policy;
- Established a whistleblowing hotline through an external company to provide an additional method for employees to report any suspected wrongdoing, anonymously should they so wish;
- Increased the activities of our Internal Auditor including in reviews of risk management in the Group's operations, of Group systems and of recently acquired businesses;
- Reviewed Group tax matters with management;
- Refreshed our process for the review of annual reports, which I summarise in the next section; and
- Achieved a further reduction in non-audit work performed by the Auditors on which I comment further on page 49.

Public reporting

As a Committee, we review and comment on both the financial information and non-financial information in the Group's Annual Reports prepared by management. Our timetable for this is included on the Committee's calendar on page 48.

As shown on the calendar, we meet as a Committee three times per year. Ahead of each meeting, I discuss relevant accounting matters with the Group Finance Director and his senior team. I also discuss relevant audit matters in advance with our audit partner. This helps me to lead focussed and informed discussions of agenda items with my Committee colleagues at our meetings.

One purpose of our reviews is to confirm that the information in the Annual Report presents a fair, balanced and understandable assessment of the Group's position and prospects. Indeed, even in the years before the recent guidance placing additional emphasis on this, the Group enhanced its disclosures in these and other respects. A particular example of these improvements is the explanation of the Group's

Audit Committee calendar for 2012

At specific meetings

January

Annual results, including consideration of:
- Report of the Group Finance Director
- Report of the Auditors
- Going concern
- Results of formal assurance process for non-financial data
- Draft Annual Report
- Draft results announcement
- Draft investor presentation
- Review of risk management and internal control
- Performance and independence of the external Auditors

Meeting with the Auditors in absence of management

Review of Annual Internal audit report and plans

Recommendations to the Board on:
- The annual results
- Re-appointment of the Auditors
- New Group wide Code of Ethics

February / March / April / May / June

July

Half year results including consideration of:
- Report of the Group Finance Director
- Report of the Auditors
- Draft results announcement
- Draft investor presentation

Recommendation to the Board on the results

Enhancement of whistleblowing arrangements

Review of
- Implementation of new financial reporting system
- Addressing of external Auditors' internal control observations
- Non-audit work by the Auditors

August / September

October

Consideration of plans for preparation of the annual results, including:
- Report of the Group Finance Director
- Report of the Auditors

Review of
- non-audit work by and fees to Auditors and policy on these
- Plans to enhance review of non-financial as well as financial sections of Annual Report by Committee
- Plans for systems-based internal audit functionality

Report on meeting with country management on risk management and insurance arrangements

November / December

At each main meeting

Reviews of financial reporting, including:
- Any proposed changes to accounting policies
- Key assumptions, judgements and estimates proposed by management
- Developments in reporting and accounting requirements affecting the Group

Reviews of reports on:
- Risk management
- Risk registers
- Internal control

Consideration of internal audit:
- Reports
- Plans
- Review of implementations of observations

Reviews of:
- Minutes of previous meetings
- Reports on implementation of actions from previous meetings

business model this year included on pages 10 to 23. To assist with this process, we receive and comment on a first draft of the Annual Report before the year end.

We see this process of improvement as an ongoing journey on which the Group will continue to travel. Nonetheless, we believe this Annual Report is indeed 'telling the story' of the Company, in the way envisaged by the UK Code's new recommendations which will apply to the Company's next Annual Report.

Together with management, we set ourselves an objective over the last couple of years of cutting verbiage from our annual reports. Whilst rising to this task, we have found the Group, along with all other public companies, subject to additional disclosure requirements and recommendations, which have sometimes been more challenging than helpful to the process. We see unnecessary or excessive information as detracting rather than contributing to an understanding of the Group. We hope that this Annual Report strikes the right balance for the majority of readers and shall continue to resist the pressure for ever more lengthy, yet often less comprehensible, annual reports.

As a Committee, we also review the Group's half year results prior to publication in a similar way as for the full year results. We review the Group's twice yearly Interim Management Statements as part of their detailed review and comment by the Board as a whole rather than at specific Audit Committee Meetings. We consider this approach appropriate in view of the limited amount of financial information contained in the Group's Interim Management Statements, and the thorough review process undertaken by the Board.

Further information regarding the preparation of the Group accounts is included in the Directors' Report commencing on page 96.

Internal control and risk management framework and procedures

The key elements of the Group's internal financial control framework and procedures are set out in the table at the top of the next page. A review of the Group's system of risk management commences on page 28.

Through the processes outlined:

- Areas for enhancement of internal controls and risk management are identified;
- Action plans to deliver such enhancements are devised; and
- Delivery is then monitored by management and by us as a Committee.

The key elements of the Group's internal financial control framework and procedures include:

- The close involvement of the executive Directors, including regular meetings with the senior management team to review operational aspects of the business;
- Clearly defined responsibilities and limits of authority, including a schedule of matters that are required to be brought to the Board for decision;
- A comprehensive Group-wide system of financial reporting, budgeting and cash forecasting and control through which financial accounts are prepared and submitted to the Board monthly;
- Regular preparation and, when appropriate, update of profit and cash flow forecasts, to monitor actual against expected performance;
- Regular meetings of the Board and Audit Committee at which financial information is reviewed and business risks are reported upon and monitored; and
- Reviews by the Group's internal Auditor of specific areas of operations selected in consultation with the Audit Committee.

  Reports of the results of these reviews are discussed with the Chairman of the Audit Committee and presented to and considered by the Audit Committee.

  The main aims of the internal audit reviews are to ensure the:

  - Operation of an effective system of internal control being maintained at Group and country levels;
  - Production of accurate, relevant and timely financial information by each of the countries;
  - Safeguarding of the Group's assets through physical controls and segregation of duties; and
  - Proactive risk identification and mitigation though appropriate monitoring and controls.
- A review by the Audit Committee and the Board of the effectiveness of the Group's risk management and internal control systems is undertaken at least annually.

We review such matters at each meeting and consider that none of the areas identified for enhancement during the year constituted a significant failing or weakness for the Group.

In addition, members of the Committee assist in providing input to management outside meetings when the occasion arises. For example, during 2012, I met with operational management on a number of occasions to review the governance processes involved in the construction of one of the Group's key new data centres.

We consider that the information that we receive as a Committee is sufficient to enable us to review the effectiveness of the Group's risk management and internal controls. These accord with the guidance of the Turnbull Committee. Of course, they manage rather than eliminate the risk of not achieving business objectives. Whilst they cannot provide absolute assurance, we believe they provide reasonable assurance against material misstatement or loss.

Maintenance of the independence of the external Auditors

We have developed procedures relating to the provision of non-audit services by the Group's external Auditors. Under these procedures, non-audit work and the fees involved require approval by the Audit Committee, after taking account of any potential risk of a conflict of interest arising then or in the future. This is subject to de minimis amounts of routine work involving fees of no more than £10,000 which may be necessary between Committee meetings that are then reported at our next meeting.

In 2011, the Companies Act introduced two discrete classifications of non-audit work provided by statutory auditors: audit-related assurance services and other services. Audit-related assurance services include work required by law or regulation, for example review of interim financial statements, which would normally be performed by the statutory auditors. They also include extended audit work that is integrated into the statutory audit.

During the year, the audit-related assurance services provided by the Auditors to the Group mainly comprised the review of the half year results and assurance in respect of the implementation of IT systems. Other services performed by the Auditors in 2012 related mainly to general tax advice.

The fees paid for these other services during the year represented 28% (2011: 50%) of the fees paid for the statutory audit and audit-related assurance services together. Excluding the audit-related assurance services, they represented 37% (2011: 99%) of the statutory audit fee. Further details of these amounts are included in note 8 of the accounts.

As a Committee, we welcome the substantial reduction of these proportions over the past years, and are satisfied that the work undertaken by the Auditors with the safeguards they have in place has not threatened their overall independence.

We have a policy so that, before any former employee of the external Auditors may be employed by the Group, careful consideration must be given as to whether the independence of the Auditors will be adversely affected, and our approval is required. This particular circumstance has not yet arisen.

The rotation of our external audit personnel accords with their professional guidelines and our current audit partner is being replaced under these guidelines during 2013. Whilst we do not consider it necessary to have a policy for rotation of external audit firms, consideration is periodically given to placing future audits out to tender, as was done in 2008. In reaching our recommendation to the Board for the annual re-appointment of the external Auditors, we reviewed their performance and effectiveness in the past year.

On behalf of the Audit Committee

Simon Batey
Chairman of the Audit Committee

12 February 2013

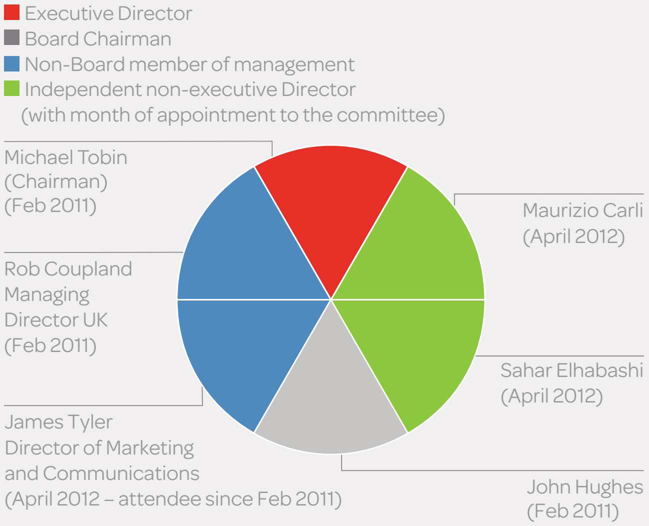
UK Code Principle:
'The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.'

UK Code Principle:
'The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditor.'

Report of the Corporate Social Responsibility Committee

Membership of the CSR Committee

The UK Code does not provide guidance for the membership of this Committee. The Board believes that a diverse membership drawn from the Board and management is appropriate.



Specific objectives achieved in 2012

- Monitored existing CSR objectives for the Group and performance against these;
- Identified the next group of quantifiable objectives; and
- Ongoing review of market and reporting requirements as they pertain to the Group's CSR strategy and future activities.

Specific objectives set for 2013

- Continue to monitor existing CSR objectives and performances against these;
- Monitor newly identified CSR objectives in advance of consideration for publication;
- Continue to identify additional areas for monitoring; and
- Ongoing review of market and reporting requirements as they pertain to the Group's CSR strategy and future activities.

The UK Code does not include provisions specific to CSR Matters.

Michael Tobin
CSR Committee Chairman

In 2011, the Board established a CSR Committee in recognition of the importance it places on these activities in the Group. Following additional appointments in 2012, our Committee now includes two independent non-executive Directors and the Group Marketing and Communications Director, as well as the Board Chairman, the UK Managing Director and me as Chairman.

During 2011, we established targets to measure performance in these areas in order to track the Group's ongoing alignment to being a sustainable business.

The influence of the Committee has continued to feed through into the way the business operates and reports on corporate responsibility and sustainability. We intend this to continue in the future. As well as showing progress on commitments made last year, this report sets out clear performance measures for TelecityGroup's most material corporate responsibility issues. These targets are linked to specific achievement objectives for 2013 and five-year goals for 2016 (set in 2011), offering a clear long-term vision of our approach to corporate responsibility. In addition, I will discuss in this report new initiatives that the Group inaugurated during 2012 and how we intend to report on their progress going forward.

Future direction

In 2011, we set targets that relate to the most material corporate responsibility issues for the Group and the impacts and influences our business has on stakeholders. These were carbon efficiency, customer satisfaction, employee engagement, accreditation of robust management systems and business integrity. For each of these areas a quantifiable metric with a specific performance target was established for the near term, and a five-year goal was also set.

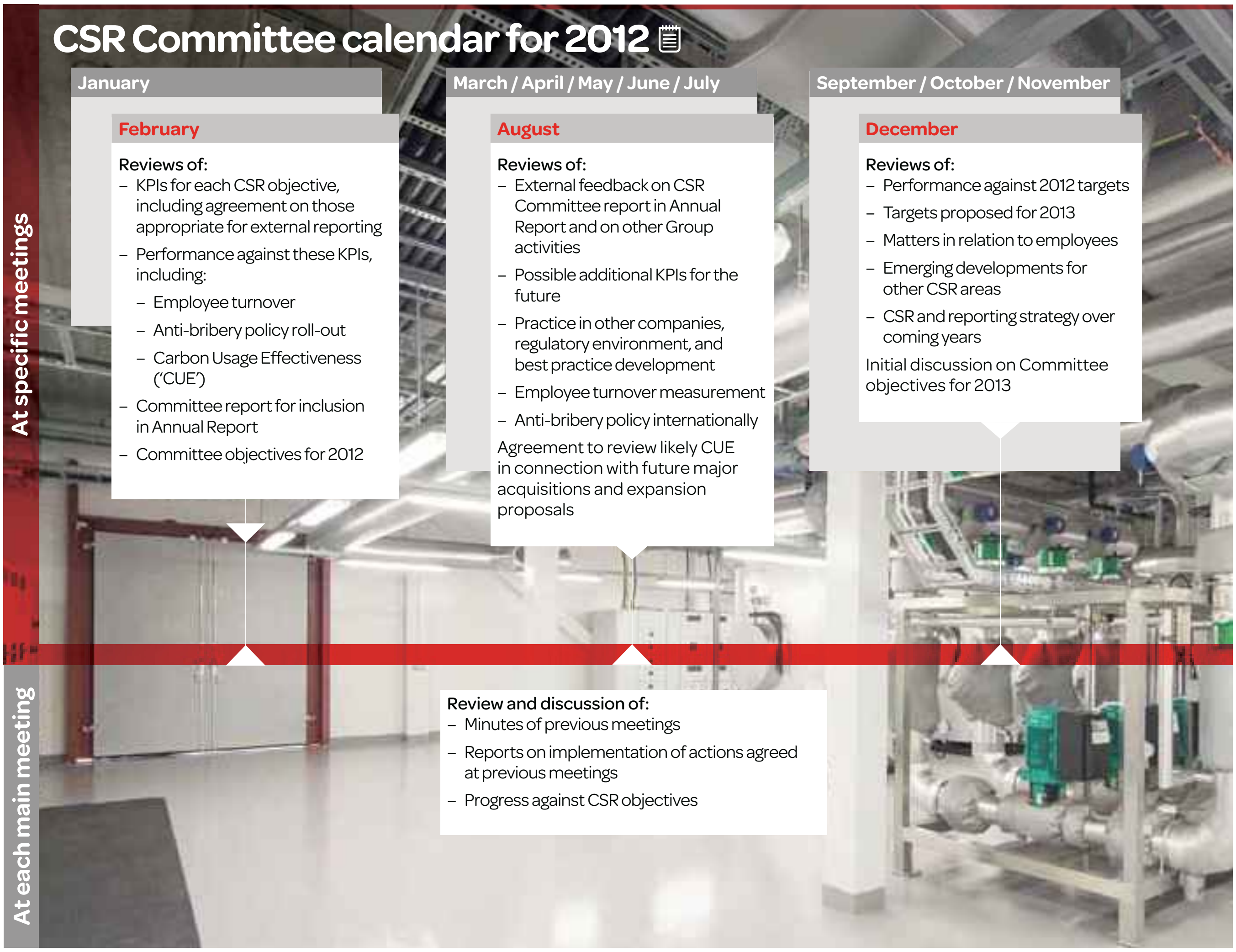
We have continued to monitor the performance of the business in each of these areas and I am pleased to report that in 2012 good progress was made against all of these targets. We will continue to report annually on progress against these longer-term targets. Through this process, stakeholders in the business will have a clear picture of what corporate responsibility means to us at TelecityGroup and how it is an integral part of our sustainable growth strategy.

Managing environmental impact

TelecityGroup has ambitious expansion plans to meet growing customer demand for premium highly-connected data centre capacity across Europe.

In terms of environmental impacts, a key challenge is to maintain improvements in the energy efficiency of existing facilities and to ensure facilities obtained through acquisition are brought up to standard as quickly as possible. In the past, when companies designed data centres, the key concern was ensuring the resilience of service provision. Whilst this remains a critical success factor, in today's marketplace managing energy use and the environmental impact of facilities is also of great importance.

CSR Committee calendar for 2012



At specific meetings

January

February

Reviews of:
- KPIs for each CSR objective, including agreement on those appropriate for external reporting
- Performance against these KPIs, including:
  - Employee turnover
  - Anti-bribery policy roll-out
  - Carbon Usage Effectiveness ('CUE')
- Committee report for inclusion in Annual Report
- Committee objectives for 2012

March / April / May / June / July

August

Reviews of:
- External feedback on CSR Committee report in Annual Report and on other Group activities
- Possible additional KPIs for the future
- Practice in other companies, regulatory environment, and best practice development
- Employee turnover measurement
- Anti-bribery policy internationally

Agreement to review likely CUE in connection with future major acquisitions and expansion proposals

September / October / November

December

Reviews of:
- Performance against 2012 targets
- Targets proposed for 2013
- Matters in relation to employees
- Emerging developments for other CSR areas
- CSR and reporting strategy over coming years

Initial discussion on Committee objectives for 2013

At each main meeting

Review and discussion of:
- Minutes of previous meetings
- Reports on implementation of actions agreed at previous meetings
- Progress against CSR objectives

The Group is ever vigilant of the need to take action when existing facilities, equipment or procedures require retrofitting or upgrading to improve environmental efficiency; there has been significant continued investment in this respect over the past 12 months. We have also initiated more structured programmes to measure our water usage and waste, which are discussed in more detail below.

Managing and measuring energy use

TelecityGroup's business growth will inevitably mean an increase in power usage for the Group. By virtue of the Group's scale and expertise, IT equipment housed in TelecityGroup data centres is more efficient to run than if it were hosted in organisations' smaller proprietary server rooms.

The IT hardware that supports the digital economy typically resides in highly-connected data centres such as those operated by TelecityGroup. It is our view that the data centre industry has a vital role to play in creating a more environmentally-efficient economy. TelecityGroup is committed to minimising our environmental impact, focussing on improving operational and management processes developed through our Energy Management Programme. This is complemented by the ongoing implementation and adherence to the best environmental management practices contained in the EU Code of Conduct for Data Centres.

Energy efficiency and emissions reporting

In November 2011, the inaugural 2010/11 CRC (Carbon Reduction Commitment) Energy Efficiency Scheme performance league table was published by the UK's Environment Agency. TelecityGroup was placed 103rd in the league table which ranked over 2,000 organisations in the UK that consume more than 6,000MWh of electricity per year according to a weighted score. TelecityGroup's ranking was the highest (and therefore best-placed) in the data centre sector. The Group was ranked third in a peer group that incorporated organisations in the wider ICT marketplace.

The CRC performance score took into account the steps a business had taken to implement energy management and reporting procedures. These included installing Automated Voluntary Metering ('AVM') systems and achieving the Carbon Trust Standard accreditation, a rigorous certification process requiring organisations to measure, manage and reduce carbon emissions across their operations. In December 2012 the Government announced that the league table element of the CRC was to be abolished.

Engaging with industry

Inclusion in the CRC scheme resulted in the imposition of a new tax on all of the constituent members covered by the scheme. While engaging with the required legislation TelecityGroup, along with most operators of data centres in the UK, is seeking to work with the UK Government to replace the CRC scheme with an alternative that encourages further energy efficiency whilst not penalising companies that are helping to drive economic growth. One of the themes of our engagement is to work with key opinion formers inside and outside the industry on the wider environmental impact of the digitalisation of business and commerce.

Data centre operators need to be able to demonstrate the critical role of the sector in mitigating carbon use elsewhere and show that the industry itself is a responsible consumer of energy. To this end, TelecityGroup continues to be an active member of Intellect (the leading trade association representing the UK technology industry) and seeks to make legitimate representations to the UK Government regarding its approaches to climate change policy. On behalf of the data centre industry, Intellect's Data Centre Group is seeking to negotiate a sector-level Climate Change Agreement ('CCA') with UK Government. CCAs are the result of recognition by Government that unilateral carbon taxes can damage the competitiveness of energy intensive businesses operating in a global market. 54 industry sectors are already covered by the scheme. Participants can exclude eligible sites from CRC and obtain a 65% (rising to 90% later in 2013) discount from the Climate Change Levy (a non-domestic tax on energy derived from fossil fuels). In return they must meet challenging targets for improving their energy efficiency or reducing their carbon emissions. The benefits of a CCA for the sector are significant in both financial and environmental terms. In conjunction with Intellect we have consulted with the Department of Energy and Climate Change ('DECC') which has accepted that a CCA would be a better tool to drive efficiency in data centres than existing policy tools like CRC. We expect to see a decision from DECC in the first few months of 2013 . Separately, we remain actively engaged in the Green Grid and also submitted data to the Carbon Disclosure Project in 2012.

Measuring and reporting energy efficiency, carbon and greenhouse gases ('GHG')

Through 2012, we further improved our environmental management performance by introducing more energy monitoring and targeting systems and installing more sophisticated metering systems and energy analysis. We continue to monitor the Group's annualised power usage effectiveness ('PUE') measure which is also reported to the Board on a bi-monthly basis. While this important metric will remain an internal measure, we are committed to reporting externally on the Group's carbon usage effectiveness ('CUE') measure which we introduced during 2011. CUE captures a combined picture of the energy efficiency of operations and the carbon intensity of the energy used. It encourages individual data centres both to improve the efficiency of systems and procedures and to seek out low carbon sources of energy.

Combined with internal reporting on PUE, monitoring CUE provides the Group with important information to compare the efficiency of data centres and explore trade-offs in energy efficiency strategies under various use scenarios and different operating conditions.

Implementing and maintaining Group-wide standards

Through our Group-wide certification to ISO 14001, the international standard for environmental management systems, we are able to effectively implement and manage best practice energy management. As we acquire businesses our Quality Management team spend considerable time ensuring that these new facilities are put through the same rigorous standards and improvement procedures. This is to ensure a consistently high level of quality and systems management is available for our customers in every single one of our facilities.

A new energy management standard, ISO 50001 – which was launched in 2011 and is a parallel standard complementing ISO 14001 (but with an increased focus on best practice in energy management) – is to be implemented across the Group. Certification to ISO 50001 is particularly relevant for energy intensive industries or those facing GHG emissions regulation or legislation. We intend to roll out the new ISO 50001 standard across the Group over the next 24 months.

Targets and longer-term goals

Target measure	Why it is important	2011 actual	Target for 2012	2012 result	Target for 2013	Goal for 2016
Group CUE (kg CO_2/kWh – annualised) for TelecityGroup data centre footprint (excluding UK Grid)	Carbon efficiency is a key measure of broader environmental performance	0.651	Improvement of at least 3% reduction from 2011 level(1)	0.629 (3.4%)	Improvement of at least 3% reduction from 2012 level(1)	Maintain continuous improvement of at least 3% per annum from 2011 level
Workforce engagement (measured as a % of employees participating in employee satisfaction survey)	We want our people to feel a strong commitment to the business	65%	Increase participation rate in employee survey by 5% from 2011 level	76%	Continue trajectory towards 80% participation	Maintain continuous improvement of at least 3% per annum from 2011 level
Workforce satisfaction (as measured by proportion of employees agreeing with the statement in the annual employee survey 'I really enjoy working for TelecityGroup')	Motivated people perform better	77.40%	Achieve improvement in satisfaction score by 5%	79%	Continue trajectory towards achieving 80% satisfaction score or above	Achieve a satisfaction score of 80% or above
Proportion of capital projects contractors compliant with anti-corruption protocol (as measured by % of total capital spend covered by contractors working on capital projects awarded during the year who have signed the protocol)	Business integrity is key to successful and sustainable growth	62%(2)	70% of all new major capital projects contractors (by contracts value) to have signed protocol(3)	75%	Continue trajectory towards 90% of all new major capital projects contractors (by contracts value) to sign protocol in each year	90% of all new major capital projects contractors (by contracts value) to have signed protocol

(1) Future CUE results may be affected by: a) acquisition of data centre assets which may operate at significantly lower efficiency rates; or b) changes in a national grid supply's carbon emission factor.

(2) Refers to value of new major capital projects awarded in the UK in 2011 ('major' = >£200k value).

(3) Refers to value of all new major capital projects awarded in 2012 across the Group.

Greenhouse gas emissions

The Greenhouse Gas Emissions (Director's reports) Regulations 2013 are expected to come into effect this year, with compliance expected for reporting from 31 March 2014 onwards. These new regulations will require businesses listed on the London Stock Exchange to report their levels of global greenhouse gas emissions.

In response to this change we intend to publish the Group's GHG emissions to comply with the new regulations. We understand that company GHG disclosures will not require third party audit and verification. However, to demonstrate our commitment to embracing the new reporting requirements, we intend to implement the reporting and best practice framework of the Carbon Trust Standard, which is already held in the UK, across our entire European estate in 2013. The Carbon Trust Standard is based on rigorous assessment and audit process and requires organisations to measure, manage and reduce relative carbon emissions across their own operations. It is awarded for demonstrating an improvement in carbon efficiency, and committing to delivering ongoing year-on-year improvements. The methodology used in the Carbon Trust assessment process is one of those recommended by Defra for this GHG reporting requirement. We believe that implementing the Carbon Trust framework across Europe will not only enable us to meet our reporting requirements but also demonstrate that we have taken genuine action to reduce the Group's environmental impact.

We intend to publish our GHG emissions report in the 2013 Annual Report and will set targets around such emissions in due course.

Water and waste – making progress

Beyond these issues that are critical to the future success of the business, we recognise that there are other concerns that will be of importance in the near future. For example, many new technologies that drive energy efficiency will also increase water usage through evaporation associated with cooling.

We are now considering water efficiency, recognising the importance of water to the resilience of the Group's sites. To this end, an assessment of existing water measurement techniques and practices is now underway, including a review of water metering capabilities. For data centres where existing metering allows, through 2013 we will put in place consistent Group-wide measurement standards. For facilities where current metering is not sufficient, we will investigate the feasibility of bringing the metering up to the required standard. I look forward to reporting on this progress in our 2013 Annual Report.

Although physical waste is a relatively small proportion of the Group's environmental impact, we are taking measures to ensure we minimise waste and recycle as much unavoidable waste as possible. The Group's certification to ISO 14001 sets stringent tracking measures for waste management. Most of the jurisdictions in which TelecityGroup operates also impose legal requirements in terms of dealing with industrial waste. In 2013, we intend to introduce formal internal measurement of waste into our internal KPIs to enable us to monitor and ultimately reduce our overall wastage levels over time.

Targets and longer-term goals *continued*

Target measure	Why it is important	2011 actual	Target for 2012	2012 result	Target for 2013	Goal for 2016
Achievement and ongoing maintenance of ISO/OHSAS certification	Management systems' external certification improves standards on all aspects of operational performance	Certification maintained in existing data centres Certification on track for new data centres	Maintain integration of Group-wide compliance and audit systems to retain ISO 14001, ISO 27001, ISO 9001 and OHSAS 18001 certification across all sites. Achieve in data centres acquired during 2011 where not certified	Retained ISO 14001, ISO 27001, ISO 9001 and OHSAS 18001 certification across all existing sites. Achieved same certifications in data centres acquired during 2011 where not certified. Achieved new standard BS 25999-2 in all UK facilities	Retain ISO 14001, ISO 27001, ISO 9001 and OHSAS 18001 certification across all existing sites. Achieve same certifications in data centres acquired during 2012 where not certified. Initiate certification process of ISO 22301 (formerly BS 25999-2) across Group (to be achieved by end of 2015). Initiate ISO 50001 certification across entire estate (to be achieved by end of 2014)	Maintain integration of Group-wide compliance and audit systems to retain ISO 14001, ISO 27001, ISO 9001 and OHSAS 18001 certification across all sites. Achieve ISO 22301 in all sites. Achieve ISO 50001 in all sites
Achievement of external 'CSR issue-specific' certification by independent institutions and agencies	Stakeholders want to engage with companies that have credible external endorsement as a responsible business	Maintained FTSE4Good listing Achieved Carbon Trust Standard certification Engaged with Carbon Disclosure Project ('CDP')	Maintain listing in FTSE4Good Maintain Carbon Trust Standard certification Continue to engage with CDP	Maintained listing in FTSE4Good Maintained Carbon Trust Standard Engaged with CDP	Maintain listing in FTSE4Good Implement Carbon Trust reporting framework for TelecityGroup GHG emissions across entire estate Continue to engage with CDP	Maintain listing in FTSE4Good Achieve and sustain Carbon Trust Standard certification across all Group sites Continue to engage with CDP

Responsible procurement

Procurement at TelecityGroup is made up largely of three components: buildings, energy and equipment. In all three areas we try to minimise the Group's environmental impact. For example, a number of data centres use energy from renewable sources. This includes some of our data centres in Paris, Stockholm, Amsterdam, London and in the newly acquired facilities in Helsinki.

Energy efficiency is a key buying criterion for TelecityGroup as part of its overall assessment of the lifecycle running costs of equipment. The Group is continually working with IT infrastructure manufacturers to help develop devices that consume less power without compromising operational efficiency. This process of engagement with suppliers is one important way in which we are trying to influence industry-wide standards for environmental performance.

Through 2012, the Group continued to engage with suppliers working on its capital projects with an anti-corruption initiative that was first introduced in 2011. The anti-corruption protocol provides additional governance on the appointment of major contractors involved in new build projects. The protocol is designed to apply to companies involved in significant contracts and also to significant equipment vendor relationships (where 'major' is defined as any contract value over £200,000). We have also sought to apply the protocol to existing contractors and vendors. During 2011, the initial focus for the adoption of the protocol was in the UK to ensure their compliance to recent anti-bribery legislation (Bribery Act 2010). To this end, in 2011, over 60% of the value of major new UK capital projects were covered by the protocol.

Although the Group only engages with suppliers whom it believes conduct their business in a compliant and ethical manner, it will continue to work to increase the number engaged in the Group's specific anti-bribery protocol. During 2012 focus was extended to cover all geographies in which the Group is engaged in major capital investment projects. As highlighted in last year's report, this is an iterative process as suppliers are typically required to update their own internal procedures (and sometimes their existing contractual relationships with the Group) in order to accord with the new protocol. There is also a certain degree of challenge engaging non-UK domiciled businesses adapting standard procedures to UK law. However, despite these challenges, in 2011 the Group established stretching targets for the roll out of this protocol over several years. Successful progress was made in 2012 against these targets, with 75% of all major capital projects contracted during the year being covered by this protocol. I look forward to reporting next year on the ongoing roll-out of this programme.

Group-wide ISO compliance and audit

TelecityGroup has continued to develop and strengthen its integrated quality management systems, enabling ISO and related certifications across the Group for security, quality and environmental management, together with occupational health and safety. The delivery of these systems is coordinated by an Operational Standards Team comprising subject matter experts in each area. This team provides support to country managers to ensure they are fully conversant in what needs to be done to maintain performance improvements.

Cooling system check at Condorcet, Paris.

The process of integrating new businesses into these management systems has been maintained in 2012 and beyond with the successful integration of Data Electronics and UK Grid, both acquired in 2011. A similar integration process is already underway for Tenue and Academica, the two businesses acquired in Helsinki in 2012. To further strengthen these processes, in early 2012 the Group launched a new bespoke software system to improve management audit and tracking of any non-conformance.

During the year certification to BS 25999-2, a standard for business continuity management, was achieved across all UK facilities. The standard provides a best practice framework to minimise disruption and maximise recovery time during unexpected events that could bring business to a standstill. BS 25999-2 has subsequently been superseded by BS ISO 22301 to enable easier international adoption and recognition. We intend to roll out this updated standard and achieve certification in the rest of our facilities by the end of 2015.

Employees

We recognise that the skills, knowledge and commitment of our workforce are vital factors in our continuing success. As a result, we invest significantly in developing the skills and expertise of our people. We seek to challenge and develop all employees to perform at their optimum level. We encourage and support ongoing learning; we endeavour to provide opportunities for individuals to enhance and develop their careers, for example by creating exposure to new experiences, internal transfers and promotions; and we endeavour to create environments where people feel valued and rewarded for their contribution.

Training is also offered to employees at all levels of the business. In 2012, the company sought to offer training across all disciplines, from administration to technical staff, as we firmly believe that by investing in our employees and ensuring they have the necessary skill sets, we can motivate and retain the highest standards and continue excellence across the business.

Within our Succession Planning Programme for the Executive Team, we have tailored specific training programmes around complementing individuals' knowledge and experience by working with key institutions around the world.

By educating employees, and broadening their knowledge and skills, we will continue to have a dedicated and experienced staff base who all contribute to the success of the Group.

Staff commitment is an important element of achieving customer satisfaction – four out of five staff are in roles that are dedicated to direct customer service and customer engineering roles. During the year, our annual employee engagement survey was completed with over 75% of employees taking part. Results showed that over three quarters of respondents (78.99%) agree with the statement that they 'really enjoy working for TelecityGroup'. Though slightly behind the improvement target of 5% which we set ourselves on the 2011 results (77.4%), this was nevertheless a positive move towards reaching our long-term goal of achieving an 80% agreement rating. Feedback from the survey is analysed and programmes subsequently developed to respond to or improve on areas that employees have highlighted as requiring attention.

Working days lost due to sickness and other absences are uniformly low across the Group with an average of less than half a day lost to absence per employee during 2012. We do not intend to set public reporting targets around this data as these levels have remained at such low levels for several years.

Diversity is an important constituent of decision making within the business and is reported on more fully by John Hughes in the report of our Nominations Committee on page 56.

Health and safety

We firmly believe in the importance of providing a safe and healthy environment, and adequate welfare facilities, for all our staff, contractors, visitors and anyone affected by our operations. We also take very seriously our responsibility to establish and maintain safe working practices. To this end we have implemented an occupational health and safety management system designed around the international standard BS OHSAS 18001:2007. This validates companies that show excellence in health and safety performance, and demonstrates the leadership to reduce risk and create an injury-free workplace. The Group's Health and Safety Policy incorporates a comprehensive reporting system to ensure that the Board is aware of every incident. A uniform accident and incident data collection procedure is also implemented so that we can benchmark our operations as well as monitor our performance.

TelecityGroup is committed to:

– The prevention of injury and ill health;

– Compliance with health and safety regulations, laws and codes of practice relevant to each country where we operate;

– Consulting with staff regarding health and safety policies and procedures;

– Ensuring that all staff and contractors have appropriate competencies to undertake their work safely and without risk to health; and

– Catering for people with disabilities and expectant and/or nursing mothers.

Customer satisfaction

The customer is at the heart of everything TelecityGroup does in designing, building and operating data centres across Europe. Our success is predicated on providing capacity to support our customers' long-term business growth. We are committed to achieving the highest levels of customer satisfaction and we closely monitor the Group's performance in this area. The 2012 survey indicated that 97% of customers are either satisfied or very satisfied with the level of service that TelecityGroup provides. The Group seeks to maintain this very high level of customer satisfaction and is committed to continuing to report on this measure in the future.

Community investment

Community investment and charitable partnerships continue to play an important role within our business and we strive to support the local communities in which the business operates. We believe the Group can have most impact by focussing on initiatives that promote education and opportunities for disadvantaged children and young people.

During the year, the business made cash and in-kind donations of over £182,000 to a range of charities including the Make-A-Wish Foundation, Great Ormond Street Hospital and Action for Children. In addition, the Group continued its role as a patron of the Prince's Trust Technology Leadership Group. A list of our charitable donations of £2,000 or more is given in the Directors' report on page 96.

FTSE4Good

FTSE4Good is an index designed to objectively measure the performance of companies that meet globally recognised corporate responsibility standards. TelecityGroup's continued membership in the FTSE4Good index acknowledges the Group's commitment to responsible business practice.

Several members of the Board hold senior advisory positions in certain charities. John Hughes is Ambassador for the Alzheimer's Society. I am a Board member of Byte Night, which raises money for Action for Children, the Technology Leadership Group and the Internet & Media Leadership Group of the Prince's Trust, a member of the fundraising advisory board of Great Ormond Street Hospital and I sit on the fundraising committee of Make A Wish Foundation UK. Finally, I am also Chairman of the Friends of The Loomba Trust, a charity providing education and aid for children of poor widows in India. Brian McArthur-Muscroft is a member of the Corporate Development Board for the National Society for the Prevention of Cruelty to Children. Full details of our charitable work can be found on the Group website at www.telecitygroup.com.

On behalf of the Corporate Social Responsibility Committee

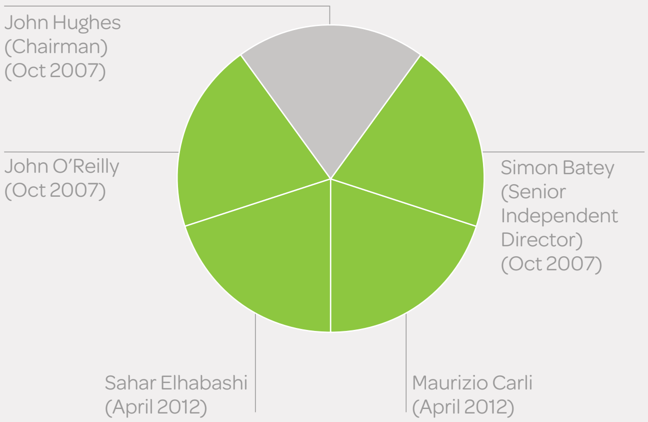
Michael Tobin
Chairman of the Corporate Social Responsibility Committee

12 February 2013

Report of the Nominations Committee

Membership of the Nominations Committee

The UK Code provides that independent non-executive Directors should comprise the majority of the Committee



- The Chief Executive Officer normally also attends meetings (although this would not be the case if the Committee was discussing matters in connection with the appointment of a successor);
- The Group Director of Human Resources may also attend and give presentations at meetings; and
- The Chairman would not chair any meeting in connection with the appointment of a successor.

Specific objectives achieved in 2012

- Ongoing development of succession planning including for the Chairman and non-executive Directors;
- Reviewed the procedures for monitoring and setting objectives for increased diversity in the Group; and
- Reviewed talent assessment and management in the Group including identification of and opportunities for good performers.

Specific objectives set for 2013

- Ongoing development of succession planning;
- Ongoing monitoring of objectives for increased diversity in the Group;
- Review talent assessment and management in the Group including outside top management; and
- Review of organisational and people development generally, and how this should progress over time.

John Hughes, CBE
Nominations Committee Chairman

Having an appropriate range of high calibre Directors on our Board is key to determining and maximising success in the Group's strategic objectives on an ongoing basis. Having appropriate succession planning for the Board and senior management is essential to ensuring that this success can be sustained over the long term.

As the Nominations Committee, we assist the Board in the key areas of composition and succession planning for the Board and the senior management of the Group. In this report, I summarise our work.

Appointment of Directors

All our non-executive Directors were selected through externally facilitated recruitments, as was I as Chairman of the Board. All are independent, as was I on appointment (although under the UK Code, I am not considered to be independent after appointment as Chairman). I believe this has created a diverse group of non-executive Directors able, along with our two executive Directors, to provide the required range of skills, knowledge and experience to the Board.

Biographies of all Directors are included on pages 40 and 41

The progressive appointment of Directors over past years has assisted in refreshing the membership of our Board as shown in the length of tenure of Directors diagram at the bottom of the next page. This has similarly enabled us to refresh the membership of our Committees for which we have this year shown months of appointment in the introductory sections of their reports. Following initial three-year terms, we review the terms of our non-executive Directors annually, in line with their annual retirement under the UK Code, as we did most recently at our December meeting in 2012.

Letters of appointment of our non-executive Directors set out the time commitments normally required, as does mine for my role as Chairman. Such time commitments can involve peaks of activity at particular times and we are all flexible in managing these. We notify the Board of any significant changes to our other commitments before they arise. Our letters of appointment are available for inspection at the Company's registered office and our Annual General Meeting ('AGM').

Future appointments to the Board will also be externally facilitated following a process similar to that employed for the appointments we made in 2011. This was summarised in our report in last year's Annual Report (which can be viewed on the Company's website). We will report on it again in other years when appointments are made, as we intend to do in 2013, having commenced a recruitment process towards the end of 2012.

UK Code Principles:
'There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.'

'All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.'

Nominations Committee calendar for 2012

At specific meetings

January

February

Reviews of:
- Update on executive Director and senior management team succession planning
- Committee report for inclusion in Annual Report
- Results of Committee evaluation
- Committee objectives for recommendation to the Board

March / April / May / June / July

August

Reviews of:
- Executive team succession planning and development
- Equality assurance plan, including:
  - Group policies and practices that support diversity
  - The skills gap in the technology sector generally
  - Ongoing actions in 2012
- The composition of the Board going forward

Agreement for an external Board evaluation to be carried out the following year

Agreement to review plans of and for the non-executive Directors who had been on the Board for five years

September

October

Consideration of recruitment of an additional non-executive Director, including:
- Determination of candidate specification
- Selection of Heidrick & Struggles to assist with this

November

December

Updates on succession planning for:
- Executive Directors
- Other senior management
- Non-executive Directors, in particular those on Board for five years

Review of results of Board Evaluation

Recommendation to the Board on proposals for reappointment of Directors

Update on plans for appointment of an additional non-executive Director

Initial consideration of 2013 Committee objectives

At each main meeting

Reviews of:
- Minutes of previous meetings
- Reports on actions agreed at previous meetings

Re-election of Directors

All our Directors retire at every AGM under the UK Code. If decided appropriate by the Board, Directors may be proposed for re-appointment by shareholders. In reaching its decision, the Board acts on our advice as the Nominations Committee, taking account of the results of our 2012 Board evaluation summarised on page 58.

This year, we intend to propose all Directors for re-appointment. My colleagues are each a key member of the Board, bringing valuable and unique skills, knowledge and experience to its overall effectiveness. Their Individual details are given in their biographies on pages 40 and 41. Following our evaluation of the Board, I, as Chairman, confirm that the performance of all our Directors continues to be effective and to demonstrate commitment to their roles.

Succession planning

We have developed a thorough succession planning process for the executive Directors and senior management in the Group. This includes encouragement and facilitation of the development of each individual as well as career progression as opportunities arise. These matters are reviewed regularly by the Committee and the feedback from participants has been positive.

During 2012, the Committee reviewed succession planning in relation to the longer-serving non-executive Directors and me as Chairman. A fresh perspective was brought to this review by the appointment to our Committee of our more recently recruited non-executive Directors, Maurizio Carli and Sahar Elhabashi. The review included consideration of the roles we as individuals hold and discussion with us regarding our personal plans. Having considered matters, the Committee is of the view that the interests of the Company and its shareholders are best served by there being no changes to these roles for the time being. The Committee will keep them under review.

Length of tenure of Directors

	IPO Oct 2007	2008	2009	2010	2011	2012	2013
John Hughes	5 years						
Michael Tobin	5 years (since IPO)						
Brian McArthur-Muscroft	5 years (since IPO)						
Simon Batey	5 years						
Maurizio Carli					2 years		
Sahar Elhabashi					2 years		
John O'Reilly	5 years						

UK Code Principle:
'All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.'

Board evaluation process

Comprehensive questionnaire containing a series of 'open' questions requiring narrative answers

Completed by all Directors covering the following areas:

- Strategy and implementation
- Succession planning and talent development
- Board dynamics, operation and information flow
- The Chairman's performance
- Performance of each of the Board Committees
- Director self-assessment and training needs

Interviews by the Senior Independent Director with the other Directors

Including discussion on:

- Clarification or expansion of answers in the questionnaires
- Any additional matters which the relevant Director or Senior Independent Director wished to raise
- The performance of the Chairman
- The individual Director's performance and training requirements

The Chairman held the equivalent interview with the Senior Independent Director.

Results of the questionnaire and interviews and drawing of conclusions

The results were reported to the Board and its Committees in a manner that did not identify individuals' specific responses, ensuring that these responses could be as open, frank and informative as possible.

These responses showed that the Board welcomed the enhancements to its processes following the 2011 evaluation (reported on the next page).

Following review of the results, the Board drew conclusions and agreed actions including:

- Suggestions for specific topics for further Board meetings to be considered in relation to:
  - Organisational and people development
  - Customer offerings
  - Technological evolution
  - Energy efficiency initiatives
  - Competitor strengths and weaknesses
- Greater coverage of post-event capital expenditure project assessment and learnings in country manager presentations
- Further consideration of evolution of future investor expectations of the Company
- Objectives of the Committees to be updated in light of evaluation comments

Follow-up meetings and discussions

- The Chairman and non-executive Directors met in the absence of the executive Directors to discuss the performance of the executive Directors
- The non-executive Directors met in the absence of the Chairman to review his performance
- The Chairman reviewed training requirements established from the evaluation process for the individual Directors and the Board as a whole

Board and Committee evaluation

Critical to the success of our Board and Committees in achieving their aims is the effectiveness with which they operate. Accordingly, we take our evaluation of this very seriously. Even before the UK Code took effect, we had adopted the three-year cycle for external evaluations that it recommends.

A summary of our 2012 Board and Committee evaluation process led by Simon Batey, our Senior Independent Director, and me is shown in the flow chart on the left. A summary of the actions we took in response to our evaluation process in 2011 is shown on the next page. I will report to you next year on the actions taken in response to our 2012 evaluation, and on our 2013 evaluation which will be externally facilitated in line with our three year cycle.

Board and employee diversity

Diversity within our Board is essential in maximising its effectiveness and within our business is essential in maximising its success. The different perspectives that this diversity brings enriches debates, business planning and problem solving.

Taking, for example, two aspects of diversity, we have recognised the benefits of having female and non-UK representation on our Board and Committees. A review of these two aspects of diversity in TelecityGroup is shown in the diagrams on the next page.

These aspects are measured firstly with reference to our non-executive Directors, and secondly with reference to our senior management including the executive Directors. We have adopted this split because all appointments and promotions within the senior management team, as with Group employees generally, are made strictly in accordance with the Group's equal opportunities employment policies. We also show the split with regard to gender in the Group as a whole. This indicates that TelecityGroup's overall gender breakdown is similar to the national gender split in the IT sector in the UK (according to published statistics).

We believe in and practise equal opportunities in relation to all employees and in recruiting the right person for the job. As part of this, we will continue to aim to increase diversity over the coming years.

In 2012, we commenced an action plan to review equality policies and communications; recruitment and selection processes; performance, pay and reward levels; and career development opportunities and assistance in achieving these. This included the implementation of an enhanced appraisal process; the launch of a revised and improved employee handbook; and enriched development plans for senior managers and training opportunities for other staff.

As an equal opportunities employer, diversity in all areas is a priority for TelecityGroup. Relevant policies and processes are regularly reviewed to ensure we are meeting the high standard which we set for ourselves in promoting a diverse workforce. We continually investigate ways in which to attract diversity into the organisation with a focus on merit-based selection and promotion. Recruitment processes now include competency-based interviewing and a focus on testing of potential employees for technical ability and/or panel presentations.

UK Code Principle:
'The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.'

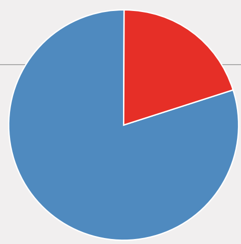
Actions taken in response to 2011 Board and Committee Evaluation

2011 Evaluation Recommendation	Action in 2012 in response
Enhance further the structure and content of Board meeting agendas and reports	Enhancements made are commented on in the report of the Board on page 42
Provide the Board with greater and more frequent external input on strategic matters	An external speaker presented on a matter of strategic interest at most main Board meetings
Review the membership of the Board and its Committees during 2012	This was done in April 2012 and is commented on in the governance introduction on page 38
Set annual objectives for the Board and Committees in their work	These are included in the introductory sections of each of their individual reports in this governance review
Consider shorter-term and longer-term strategic issues more independently of each other	Began in 2012, development of this approach will continue in 2013
Enhance further the induction process for future new Directors	Agreed to be completed when the next new Director is appointed

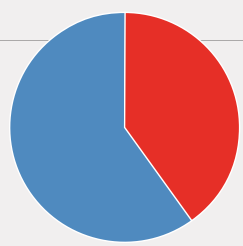
Board and employee diversity

Non-executive Directors
(including Chairman)

By gender

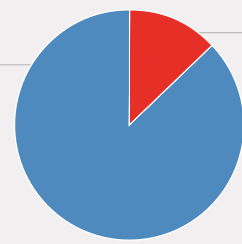


By citizenship

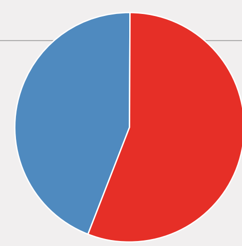


Group and country managers
(including executive Directors)

By gender



By citizenship



As I stated in our report last year, in relation to the future appointment of non-executive Directors, we expect to make appointments of each gender in equal numbers subject to the merits and diversity in general of the available candidates. This aim will be taken account of in succession planning for these roles. On this basis, as appointments are made, we expect the proportion of female non-executive Directors on our Board to increase over time towards 40% based on the current Board size and structure. We welcome the external guidance during the past year that echoes these aims.

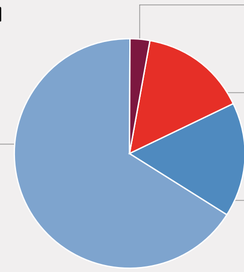
On behalf of the Nominations Committee

John Hughes, CBE
Chairman of the Nominations Committee

12 February 2013

All employees
(including Chairman)

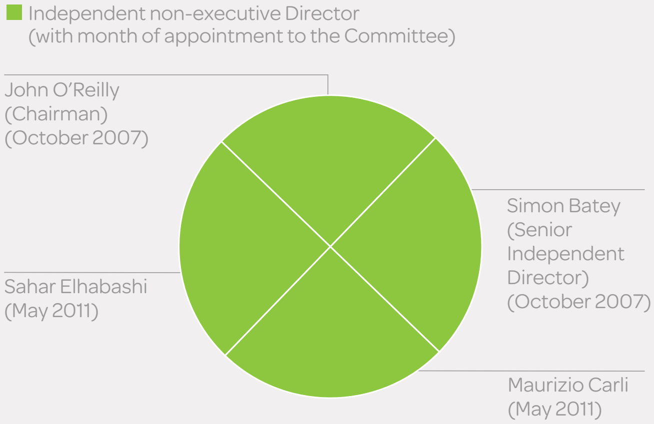
Gender by job level



Report of the Remuneration Committee

Membership of the Remuneration Committee

The UK Code provides that all members of the Committee should be independent non-executive Directors



- The Chief Executive Officer normally attends Committee meetings except when his remuneration is being discussed.
- The Group's Director of Human Resources is periodically invited to attend and present at Committee meetings on wider human resources matters in the Group.
- As permitted by the UK Code, John Hughes was a member of the Committee until April 2012 when he stepped down in recognition of the developing best practice of Chairmen of Boards not serving on their Remuneration Committees.

Specific objectives achieved in 2012

- Carried out a full benchmarking exercise on executive Director remuneration packages;
- Reviewed the appropriateness and effectiveness of the current bonus programme structure for TelecityGroup's senior management team;
- Reviewed the content and presentation of the Remuneration Committee Report in the context of the UK Government proposals for these and reporting trends generally; and
- Reviewed the Company's service contract provisions in light of Government proposals on executive remuneration.

Specific objectives set for 2013

- Ensure that the balance between long-term and short-term incentives remains appropriately aligned to the Group's growth strategy;
- Continue to focus on shareholder engagement regarding executive remuneration;
- Further improve the quality of remuneration disclosures in the Annual Report; and
- Provide appropriate ongoing remuneration advice, training and support for the Committee's members.

UK Code Principles:
'There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors.'

'Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose.'

John O'Reilly
Remuneration Committee Chairman

The structure and levels of the remuneration of the Group's executive Directors and other members of its senior management are key elements in the Group successfully achieving and sustaining its strategic aims.

As the Remuneration Committee, we set the strategy, structure and levels of remuneration for our executive Directors and review the remuneration of the other members of our senior management and employees in the Group generally. We do so in the context of the Group's overall strategy. We aim to align the financial interests of the executive Directors, and other management and employees, with achievement of the Group's objectives.

In this report, I outline our activities in the past year and provide an explanation of the components of our remuneration policy. I also explain how the policy is being updated and applied in 2013. In addition, the report details the Directors' remuneration during 2012.

The policy and remuneration are in compliance with the principles of the UK Code in so far as these relate to Directors' remuneration. Whilst the new regulations on directors' remuneration reports do not apply to the Company until next year, we have shown in this report much of the information that those regulations will require. Indeed, a number of the new provisions were already in part reflected in the way we presented our report last year. We will complete this process in our report next year.

Update from 2012 AGM

Last year, we proposed to shareholders the adoption of a new Long-term Incentive Plan ('LTIP'). We did so having consulted with shareholders with combined interests of approximately 60% of the Company's issued share capital. This consultation took place over a period of three months and involved numerous discussions with shareholders which we took into account in the final proposals. Whilst the process was instigated before the publication of the Government proposals announced in January 2012 to encourage increased shareholder engagement, it was very much in the spirit of those proposals. We welcomed the result at the AGM which saw over 96% of proxy votes lodged supporting the proposals. A summary of the new LTIP is given on page 64.

Remuneration advisors

As a Committee, we have our own specialist remuneration advisors, FIT Remuneration Consultants LLP ('FIT'). FIT was appointed by us in 2011 and is led by John Lee (who was, prior to founding FIT in 2011, managing partner at New Bridge Street).

FIT exclusively advise the Committee and do not provide advice to management, nor to the Group on any other matter. This ensures that their independence as our advisors is maintained. FIT are members of the Remuneration Consultants Group and comply with its voluntary code of conduct in relation to executive remuneration consulting in the UK.

FIT advised the Committee on our review of executive remuneration for 2013, as they did for 2012.

Remuneration Committee calendar for 2012

At specific meetings

January

February

Report on results of consultation with shareholders on the annual remuneration review, including the new LTIP

Finalisation of annual executive remuneration review, including new LTIP taking account of shareholder feedback on quantum and targets

Approval of annual bonuses for executive directors for 2011, including the deferred share awards

Reviews of:
- proposals for, and grant of, the annual award of basic long-term performance shares
- Committee Report for inclusion in Annual Report
- Senior team remuneration
- Committee effectiveness results

March

April

Approval of new LTIP following authorisation by shareholders

Grant of enhanced LTIP awards

Finalisation of Committee objectives for 2012

Review and agreement of response to UK Government consultation on executive remuneration

May / June / July

August

Reviews of:
- results of UK Government executive remuneration consultation process
- implications of resulting proposed UK Government legislation
- reporting requirements
- previous successes of all-employee sharesave scheme and authorisation of new awards

Initial discussions on 2013 executive remuneration review

September

October

Reviews of:
- results of successful 2012 sharesave offer
- TSR performance of outstanding LTIP awards
- Remuneration advisors' report on benchmarking against comparable company remuneration
- Further discussions on 2013 remuneration review
- Performance to date against basic LTIP award performance targets

November

December

Determination of proposals for annual executive remuneration review, including
- Salary
- Annual bonus
- Long-term incentives

Agreement to consult with shareholders regarding these proposals

Review of Chairman's fees

Review of performance to date against 2012 enhanced LTIP award performance targets

At each main meeting

Reviews of:
- Minutes of previous meetings
- Status of actions agreed at previous meetings

Remuneration policy

The Committee's policy is to ensure that the Company offers a competitive, though not excessive, listed company remuneration package aligned with achievement of the Group's strategic aims. These include the responsibilities of risk management and internal control, as part of the maximisation of shareholder value on a sustainable basis. Our key policy objective is to secure and retain high calibre executive Directors with the skills, experience and motivation necessary to direct and manage the affairs of the Group to achieve these strategic aims. We consider this critical to TelecityGroup's ongoing success.

Our aim in this policy is to set the structure and level of executive remuneration appropriately for the Company. We reviewed executive remuneration during the year in the context of the Group's ongoing growth strategy. As in the prior year, we undertook this review to ensure that the remuneration adopted for 2013 is aligned with the overall strategic objectives that the Group is pursuing.

We also have regard for practice in other comparable companies for which we instructed a benchmarking exercise during the year. This benchmarking exercise reviewed, firstly, the 30 companies below and 30 companies above the Group in terms of market capitalisation in the FTSE. As a secondary comparison, it also reviewed a group of technology based companies in the FTSE.

In addition, we review the remuneration of the executive Directors in the context of the remuneration of other senior management and employees in the Group generally, which are reviewed by the Committee at least annually.

The approach ultimately decided upon for 2013 was, as in prior years, recommended by the Committee's remuneration advisors. The Committee having determined the proposed remuneration of the executive Directors for 2013, I consulted on these proposals with shareholders with combined interests in approximately 46% of the Company's issued share capital, together with representatives of the Association of British Insurers and National Association of Pension Funds in the UK. I then reported the results of the consultation to the Committee as a whole. The finally determined remuneration for 2013, as set out in the table on page 62, reflects the results of that consultation.

Key elements of remuneration and considerations for 2013

The key elements of the remuneration of the executive Directors for both 2012 and 2013, and a review of the way in which the remuneration policy has been applied in determining these, are set out below.

Following the grant of Enhanced Awards under the new LTIP last year, we have determined that it is not necessary to make Enhanced Awards again in 2013. Under the LTIP in 2013, we intend only to make Basic Awards of 100% of salary. At the same level of annual bonus potential as last year, this would have resulted in total maximum variable remuneration for 2013 equal to 210% of salary. The benchmarking which was carried out by FIT showed this percentage of variable remuneration is low compared to that seen in comparable companies. The median comparative figures in such companies were over 300% of salary for CEOs and around 275% of salary for Group Finance Directors.

We are keen to ensure that the executive Directors are appropriately incentivised to meet the demanding revenue targets in 2013. This follows the addition of the significant new capacity coming on stream in the past year. The Committee has therefore increased the maximum potential annual bonus for 2013 as set out in the table below. If an Enhanced Award is to be granted under the LTIP in future years, we will reconsider the bonus level and will ensure that the combined bonus and LTIP opportunity is not excessive against the benchmarks of comparable companies.

Key elements of remuneration

		Element	2012	2013
Fixed	1	**Base salary** This recognises the day-to-day responsibilities of the individual Director and supports the elements of risk management and internal control in the Group's strategy.	The Committee decided to restrict salary increases for both executive Directors to 3.5% in 2012 year even though the Group had performed exceedingly well and grown substantially in the previous year. This was intended to strike an appropriate balance in the context of the enhanced long-term incentive arrangements proposed for 2012. Accordingly, their salaries in 2012 were £533,000 for Michael Tobin and £316,000 for Brian McArthur-Muscroft.	The Committee believes it is appropriate to have salaries broadly in line with median and has therefore increased by 6% the formerly below median salaries of Michael Tobin and Brian McArthur-Muscroft. The resulting salary of £565,000 for Mr Tobin is around the median position. The salary of £335,000 for Mr McArthur-Muscroft remains below median since the Committee did not want to make an increase of greater than 6% this year. These increases compare with increases averaging approximately 5% for the Group's employees generally over the past year.
Fixed	2	**Benefits** These include a pension contribution, which funds retirement, making appropriate provision for employees as part of pursuing the Company's strategic objectives over the long term.	Company contributions to executive pension schemes were increased to 20% of base salary for Michael Tobin and 18% for Brian McArthur-Muscroft. Other benefits including car allowances of £17,800 for Michael Tobin and £14,000 for Brian McArthur-Muscroft remained unchanged from 2011. These were in line with practice in comparable companies.	No changes are being made to these elements of remuneration in 2013.
Variable	3	**Annual bonus scheme** This provides rewards that reflect the performance of the Group and the contribution of individual Directors in a particular year. This helps to motivate and retain the executive Directors, augments shareholder alignment and provides the Directors with a meaningful incentive to meet challenging short-term targets, chosen because of their importance to the success of the business.	The same annual bonus arrangements were maintained for 2012 as in 2011. Executive Directors were able to earn up to 110% of salary based on the extent to which stretching corporate performance targets set by the Remuneration Committee were achieved or exceeded. The measures adopted are shown in the table on page 63. The total bonus that became payable is being paid in cash and deferred shares using the same formula as in 2011. This formula provides that the first 30% of the potential bonuses will be paid in cash and the balance will be satisfied 40% in cash and 60% in deferred shares which vest generally only after two years. Under that formula, 42% of the bonus payable for 2012 is being satisfied by deferred shares.	This year, in the context of no Enhanced Awards being made under the new LTIP, and the specific revenue growth objectives for 2013, the maximum annual bonus potential for each executive Director has been increased from 110% to 150% of salary with the introduction of a new revenue target. The payment for on-target performance, though, is remaining as in 2012, at 80% of salary so that all of the increased potential is only payable for performance above target. The performance targets, and the proportions of the total potential payable for their achievement and overachievement are shown in the table on page 63. The proportion of the annual bonus to be satisfied in deferred shares has also been increased to one-half of the total, again generally only vesting after two years.
Variable	4	**Long-term incentives** These incentivise executives to deliver sustained improvement in financial performance and shareholder returns over a period of years. These awards help motivate and retain the executive Directors, substantially align their interest with those of shareholders, and provide a meaningful incentive to build shareholder value over the long term.	Executive Directors were granted awards under the company's former LTIP equivalent to 100% of base salary on the same terms and subject to the same Total Shareholder Return ('TSR') performance condition as in prior years. These awards are on terms similar to Basic Awards under the new LTIP summarised on page 64. In addition, following shareholder approval of the new LTIP, Michael Tobin and Brian McArthur-Muscroft were awarded Enhanced Awards under this new plan. These were subject to the demanding financial performance conditions based on earnings per share ('EPS') growth over three years and subject to the additional underpin performance conditions as explained on page 64.	This year, the executive Directors will be granted Basic Awards equivalent to 100% of their base salaries, on similar terms and subject to the same TSR performance conditions as in prior years. The Committee has determined that it is unnecessary to grant further Enhanced Awards this year.

All remuneration is subject to the contractual claw-back provisions referred to in the summary of the executive employment agreements on page 67.

2012 annual bonus scheme

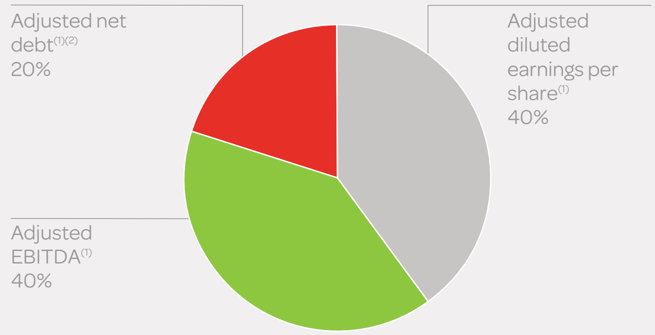
For 2012, each executive Director was entitled to an annual bonus of up to 110% of annual base salary for maximum performance against targets on sliding scales for adjusted EBITDA, adjusted diluted earnings per share, and adjusted net debt, as follows:

- For achievement of below 90% of target (95% for adjusted EBITDA), zero payment;
- For achievement of 90% to 100% of target (95% to 100% for adjusted EBITDA), payment on a sliding scale from 30% to 80% of the relevant proportion of salary;
- For achievement of 100% to 105% of target (100% to 102.5% for adjusted EBITDA), payment on a sliding scale from 80% to the maximum of 110% of the relevant proportion of salary; and
- For achievement of over 105% of target (102.5% for adjusted EBITDA), payment of the maximum of 110% of the relevant proportion of salary.

The targets for payment of the 2012 annual bonus, which were determined at levels considered to be stretching at the time they were set, and the results achieved against these are shown in the charts below.

This performance results in total bonuses payable equivalent to 108.9% of base salary. These amounts will be satisfied by the payment of cash and the issue of deferred shares as detailed beside annual bonus scheme for 2012 on the previous page. The bonus is not pensionable.

Proportion of total potential bonus (110% of salary)

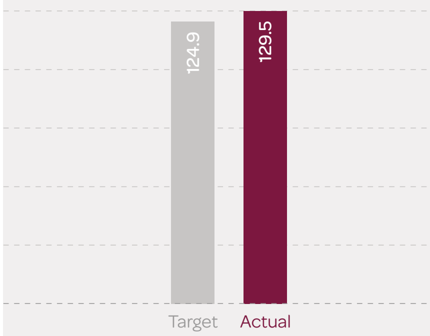


(1) Subject to adjustments approved or that may be approved by the Remuneration Committee.

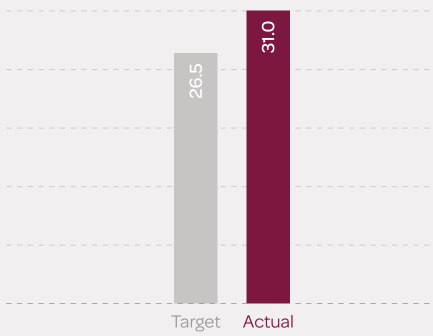
(2) Calculated as year end net debt adjusted for approved changes to capital expenditure in the year.

Achievement of annual bonus targets

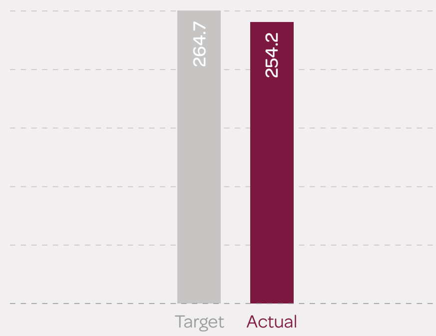
Adjusted EBITDA (£m)
£129.5m 104.0%



Adjusted diluted EPS (£m)
31.0p 117.1%



Adjusted net debt[2] (£m)
£254.2m 104.1%



2013 annual bonus scheme

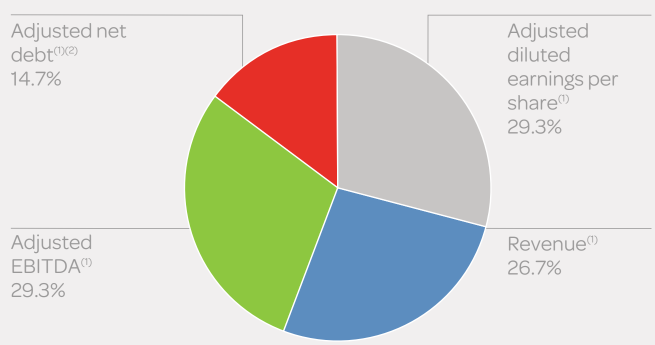
For 2013, the annual bonus scheme has been modified to include increased bonus potential and a fourth target of revenue. Both executive Directors are entitled to an annual bonus of up to 150% of annual base salary for maximum performance against targets on sliding scales. For adjusted EBITDA, adjusted diluted earnings per share and adjusted net debt these sliding scales are similar to those in 2012 and are as follows:

- For achievement of below 90% of target (95% for adjusted EBITDA), zero payment;
- For achievement of 90% to 100% of target (95% to 100% for adjusted EBITDA), payment on a sliding scale from 30% to 80% of the relevant proportion of salary;
- For achievement of 100% to 105% of target (100% to 103% for adjusted EBITDA), payment on a sliding scale from 80% to the maximum of 110% of the relevant proportion of salary; and
- For achievement of over 105% of target (103% for adjusted EBITDA), payment of the maximum of 110% of the relevant proportion of salary.

For the new revenue target, the sliding scale is from 50% of the relevant proportion of bonus for revenues exceeding target, to 100% for the achievement of 103% of target revenues.

These targets are at levels considered to be stretching and will be published in next year's report. The proportion of salary payable for target performance is the same as for 2012, 80% of salary. Of amounts that become due, 50% will be paid in cash and 50% will be satisfied by the issue of deferred shares.

Proportion of total potential bonus (150% of salary)



(1) Subject to adjustments approved or that may be approved by the Remuneration Committee.

(2) Calculated as year end net debt adjusted for approved changes to capital expenditure in the year.

Long-term incentive arrangements

We operate three types of LTIP awards. A summary of the two types of award that may be granted under the new LTIP for executive Directors and other senior management approved by shareholders last year is given in the table below; as is a summary of the sharesave scheme in which all employees may participate. Long-term incentive awards granted under the Company's previous LTIP were on a similar basis to Basic Awards under the new LTIP.

To the extent that new ordinary shares are to be issued to satisfy share awards under the new and previous LTIP and the sharesave scheme, no awards may be made if it would cause the aggregate number to be issued under those schemes during the preceding ten years to exceed 10% of the Company's issued share capital. This limit includes awards under any new scheme, although excludes awards made before or at the Company's IPO. At 31 December 2012, there have been granted, and not subsequently lapsed, awards over 7,512,070 shares under these schemes, representing 3.73% of the then share capital of the Company.

Remuneration tables

On pages 65 and 66, we have shown the detailed numerical disclosures of the remuneration of our Directors required by the existing Directors' Remuneration Report Regulations. We have built on the disclosures contained in our report last year by implementing certain disclosures set out in the new remuneration report regulations published by the UK Government, although these will not apply to the Company until next year. Specifically the following disclosures have been included:

- The 'single figure' for each Director's remuneration now calculated in accordance with the new regulations.
- The total shareholder return ('TSR') relative to the total remuneration of the Chief Executive Officer. The TSR is also compared to a comparator group which, as in previous years, is the FTSE 250 (excluding investment trusts). This is the comparator group used under our long-term incentive arrangements and therefore considered the most appropriate group against which to measure the Group's relative performance.

Long-term incentive arrangements

Basic LTIP Awards

Basic Awards under the Group's new LTIP are similar to those made under its previous LTIP since 2009. In 2013, the Remuneration Committee plans to continue to grant these awards of performance-related shares at nil cost ('performance shares') on a similar basis to LTIP awards granted since 2009:

- Awards are made to executive Directors and senior management of the Group at the discretion of the Committee.
- Participation amongst the Group's management is wide with around 70 individuals expected to receive awards in 2013.
- Awards vest generally only after three years.
- Awards are subject to a relative TSR performance condition measured over three years with the Company's TSR assessed against the constituents, as at grant, of the FTSE 250 (excluding investment trusts).

  Under this performance condition:

  - No part of the award vests for below median performance;
  - 25% vests for median performance;
  - Vesting increases on a straight-line basis to 100% for upper quartile performance.
- Awards to Directors and other participants in any one year are up to a value equivalent to 100% of the participant's base salary at the date of grant.

In 2012, 14 key senior executives were also granted the Enhanced LTIP Awards summarised in the next column.

Enhanced LTIP Awards

These awards under the new LTIP were granted for the first time in 2012 on the following basis:

- Awards were granted only to executive Directors and a number of other key senior executives (14 individuals in total).
- Awards vest only on the achievement of challenging earnings per share growth targets over a three-year performance period.

  These targets mean that:

  - The Enhanced Awards only start to vest if adjusted EPS growth over the three-year performance period is equivalent to 23% per annum compound;
  - Vesting then increases on a straight-line basis to full vesting for 28% per annum compound growth.

    This threshold for full vesting therefore requires more than a doubling of 2011's adjusted EPS over the performance period.
- To ensure that the Enhanced Awards operate as intended, vesting of these awards is subject to two additional underpins:
  - That TSR (calculated as for Basic Awards) is at least at a median level over the performance period;
  - That the Group's return on capital employed in the final year of the performance period is at least equal to the Group's weighted average cost of capital plus 3%.
- The individual limit for Enhanced Awards to be made in any year is equivalent to 150% of the participant's base salary.

No Enhanced Awards are planned to be granted in 2013.

Sharesave Scheme Awards

The Group operates an all-employee sharesave scheme. Under this, employees may be granted an option to acquire ordinary shares at a fixed exercise price on the following basis:

- Awards are generally made annually, were made during 2012 and are planned for 2013.
- Subject to certain conditions, all employees are eligible to participate.
- Participating employees are required to save each month into a savings account for a period of either three or four years, the proceeds of which they may use to exercise the option, or have repaid if they prefer.
- Subject to tax provisions in the relevant jurisdiction, a tax-free bonus is payable to the employee on the savings in the savings account on completion of the relevant savings contract.
- The maximum amount that an employee may save each month over the three-year or four-year period is £250.
- The option exercise price is set at a discount of 20% of the market value of the ordinary shares at the time of grant to encourage participation.

The Committee considers this scheme important to enable the interests of employees to be aligned with the Group's success.

Total shareholder return vs FTSE 250 and CEO total remuneration (%)

The graph to the right shows the TSR for the Group compared with both the FTSE 250 (excluding investment trusts) and CEO total remuneration.

Each of these measures has been rebased to 100 in 2007 with growth measured relative to this point in future periods. For example, a reading of 200 in future years indicates a doubling of the value in 2007.

As the Group listed on the London Stock Exchange in 2007, it is not practicable to present this data for earlier periods.

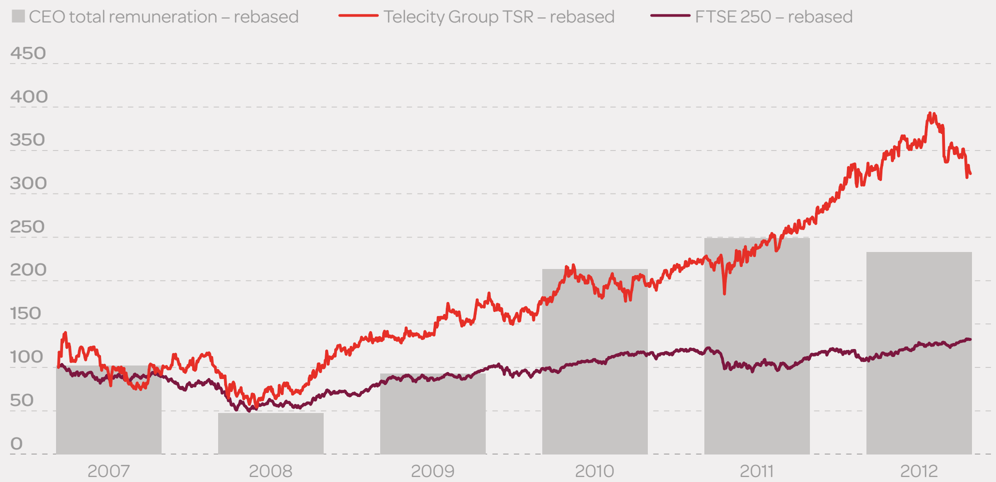


Table 1 – Remuneration (audited)

Directors' remuneration in respect of the year ended 31 December 2012 was as follows:

Base salary/fees (£'000) Annual bonus (£'000) Share awards (£'000) Benefits in kind (£'000) Pension (£'000)

		2012 Total £'000	2011 Total(1) £'000
Michael Tobin	533.0 580.5 1089.6 20.4/106.6	2,330.1	2,493.9
Brian McArthur-Muscroft	316.0 344.2 607.9 14.0/56.9	1,339.0	1,513.7
John Hughes	165.0	165.0	165.0
Simon Batey	57.5	57.5	57.5
Maurizio Carli (2)	42.5	42.5	27.6
Sahar Elhabashi(2)	42.5	42.5	27.6
John O'Reilly	50.0	50.0	50.0

(1) 2011 has been restated in accordance with the new remuneration report regulations.

(2) Appointed 9 May 2011.

The annual base salaries and annual fees of the Directors with effect from 1 January 2013 are as follows:	£'000
Michael Tobin	565.0
Brian McArthur-Muscroft	335.0
John Hughes	200.0
Simon Batey	61.0
Maurizio Carli	45.0
Sahar Elhabashi	45.0
John O'Reilly	53.5

UK Code Principle:
'A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.'

Table 2 – Share options, performance share awards and deferred bonus shares (audited)

	Notes	At 1 January 2012 '000	Granted '000	Exercised '000	At 31 December 2012 '000	Vested '000	Not vested '000	Exercise price £	Exercise period begins	Exercise period ends
Michael Tobin	(1)	161	–	(161)	–	–	–	£2.20	Sep-09	Sep-17
	(1)	161	–	(161)	–	–	–	£2.20	Sep-10	Sep-17
	(2)	372	–	(372)	–	–	–	£2.12	Mar-11	Mar-18
	(3)	14	–	(14)	–	–	–	£2.12	Mar-11	Mar-18
	(4)	216	–	(216)	–	–	–	N/A	Feb-12	Feb-19
	(4)	125	–	–	125	–	125	N/A	Mar-13	Mar-20
	(4)	103	–	–	103	–	103	N/A	Feb-14	Feb-21
	(4)	–	79	–	79	–	79	N/A	Feb-15	Feb-22
	(5)	–	109	–	109	–	109	N/A	Apr-15	Apr-22
	(6)	50	–	(50)	–	–	–	N/A	Feb-12	N/A
	(6)	44	–	–	44	–	44	N/A	Feb-13	N/A
	(6)	–	35	–	35	–	35	N/A	Feb-14	N/A
Brian McArthur-Muscroft	(1)	101	–	(101)	–	–	–	£2.20	Sep-09	Sep-17
	(1)	100	–	(100)	–	–	–	£2.20	Sep-10	Sep-17
	(2)	224	–	(224)	–	–	–	£2.12	Mar-11	Mar-18
	(4)	131	–	(131)	–	–	–	N/A	Feb-12	Feb-19
	(4)	70	–	–	70	–	70	N/A	Mar-13	Mar-20
	(4)	61	–	–	61	–	61	N/A	Feb-14	Feb-21
	(4)	–	47	–	47	–	47	N/A	Feb-15	Feb-22
	(5)	–	64	–	64	–	64	N/A	Apr-15	Apr-22
	(6)	30	–	(30)	–	–	–	N/A	Feb-12	N/A
	(6)	25	–	–	25	–	25	N/A	Feb-13	N/A
	(6)	–	21	–	21	–	21	N/A	Feb-14	N/A
Total		1,988	355	(1,560)	783	–	783			

(1) Options granted under the TelecityGroup IPO Share Option Plan.

(2) Options granted under The Telecity Group plc Performance Share Plan ('PSP').

(3) Options granted under the approved appendix to the PSP.

(4) Performance Share Awards awarded under the PSP. The performance condition attaching to these awards is that set out under long-term incentive arrangements on page 64. The performance condition for the awards due to vest in March 2013 has been fully achieved. The share awards granted in 2012, when the share price was 682.5p per share, were valued at 403p per share as set out in note 28 to the accounts.

(5) Enhanced Awards awarded under the Telecity Group plc Long-Term Incentive Plan 2012. The performance condition attaching to these awards is that set out for Enhanced Awards under long-term incentive arrangements on page 64. The share awards granted in 2012, when the share price was 744.6p per share, were valued at 559p per share as set out in note 28 to the accounts.

(6) Deferred shares granted under the annual bonus scheme. The conditions attaching to these awards are set out under the annual bonus scheme description on page 62. Such shares vest two years following the date of grant.

The highest, lowest and year end prices for the Company's shares for 2012 were 952p, 617p and 793p respectively.

During the year:
- Brian McArthur-Muscroft exercised 201,369 options at an exercise price of 220 pence per share when the share price was 833.1 pence per share, making a gain before relevant taxes of £1,234,593. He also exercised 223,561 options at an exercise price of 212 pence per share when the share price was 833.1 pence per share, making a gain before relevant taxes of £1,388,537. In addition, 131,274 nil-cost performance shares were exercised when the share price was 687.9 pence, resulting in a gain before taxes of £903,033.
- Michael Tobin exercised 322,190 options at an exercise price of 220 pence per share when the share price was 692.9 pence per share, making a gain before relevant taxes of £1,523,637. He also exercised 386,280 options at an exercise price of 212 pence per share when the share price was 692.9 pence per share, making a gain before relevant taxes of £1,857,621. In addition, 216,216 nil-cost performance shares were exercised when the share price was 692.9 pence per share, resulting in a gain before relevant taxes of £1,498,161.

Table 3 – Directors' interests in shares

	31 December 2012	31 December 2011
John Hughes (Chairman)	63,000	62,000
Michael Tobin (Chief Executive Officer)	618,500	606,445
Brian McArthur-Muscroft (Group Finance Director)	106,826	102,426
Simon Batey	22,727	22,727
John O'Reilly	22,091	9,091
Sahar Elhabashi	7,500	–
Maurizio Carli	10,000	10,000

There were no interests of Directors' connected persons in the share capital of the Company at either of these dates known to the Company.

There have been no changes in the interests of the Directors in the share capital of the Company (or any derivatives or any other financial instruments relating to those shares) nor, so far as the Company is aware, in the relevant interests of any of their connected persons between 31 December 2012 and the date of this report.

Executive Director service agreements

The executive Directors' service contracts, both dated 5 October 2007, as subsequently amended to take account of annual remuneration reviews, are in terms customary for a UK public company. No changes were found to be necessary to comply with the UK Government proposals on executive remuneration published in 2012. The contracts include the following provisions:

- Executive Directors are required to act with integrity and in accordance with rules, regulations and requirements of any relevant professional body, authority or organisation applicable to the activities of the Director or the Group, which include the Group's new Code of Ethics.
- Executive Directors are required to hold shares in the Company with an aggregate value of at least their annual salary at that time (based on the Company's share price on the London Stock Exchange). This may include vested and subsisting share awards and options on an after tax basis. Details of the numbers of shares and share awards held by the Directors are shown on page 66. The Committee considers that these shareholdings significantly align the interests of the executive Directors with those of other shareholders.
- Executive Directors are permitted to accept external appointments with the prior approval of the Board and where there is no impact on their role within the Group. Any fees arising from such appointments may be retained by the executive Director where the appointment is unrelated to the Group's business. Other than Michael Tobin's role as a non-executive director of Pacnet, neither executive Director currently has any external appointments except their charitable and voluntary activities nor received fees from such appointments during 2012.
- In the unlikely event that the published accounts of the Group are restated for any reason after they have first been published, and if such restated accounts would have resulted in an executive Director receiving a lesser amount in terms of annual bonus, awards of shares or options over shares or other remuneration, then the executive Director is required to immediately repay the balance to the Company.
- The Company's policy is to provide payment on termination by the Company of the employment agreement of any executive Director of no more than one year's salary and benefits and no amount in respect of unearned bonus. In accordance with this policy, each executive Director's employment is terminable on six months' notice by the executive Director and 12 months' notice by the Company. The Company may elect to terminate the employment of an executive Director by making a payment equal to 12 months' base salary, Company pension contributions and contractual benefits. Share awards held by executive Directors are outside the terms of their service contracts and would be dealt with at the date of any termination under the rules of the plans under which they were granted.

Copies of the executive Director service agreements are available for inspection during normal business hours at the Company's registered office and at the Company's Annual General Meeting.

Chairman and non-executive Directors

Fees payable to the Chairman are determined by the Remuneration Committee. Fees payable to non-executive Directors are determined by the Board (excluding the non-executive Directors). These fees are reviewed periodically. Having last been reviewed as at 1 January 2011, they were reviewed as at 1 January 2013.

The fees of the Chairman and independent non-executive Directors are to reflect the time commitment and responsibilities of their individual roles. They have been set with effect from 1 January 2013 with reference to remuneration levels in comparable companies advised upon by FIT on a basis similar to the benchmarking for the remuneration of the executive Directors. This is to ensure that individuals of the necessary calibre and experience are recruited and retained.

On this basis, the Remuneration Committee has increased the fees of the Chairman to £200,000 per annum from £165,000. As well as bringing his fees to around the median of comparable companies, this increase reflects the pivotal role and commitment of John Hughes to the Group. The increases in the fees of the non-executive Directors decided by the Board are set out in the table below.

Fee structure for non-executive Directors

	2013 £'000	2012 £'000
Base fee	**45.0**	42.5
Fee for chairing the Audit Committee	**9.5**	9.0
Fee for chairing the Remuneration Committee	**8.5**	7.5
Fee for acting as the Senior Independent Director	**6.5**	6.0

The Chairman and non-executive Directors do not accrue any other benefits in addition to our annual fees, nor do we participate in the Group's pension or share schemes. Our letters of appointment set out our duties and expected time commitment. The letter of appointment of John Hughes as Chairman is terminable by either Mr Hughes or the Group on six months' notice. The letters of appointment of the other non-executive Directors are for an initial period of three years but may be terminated at any time by either party on one month's written notice.

Our letters of appointment are dated as follows:

John Hughes and John O'Reilly	5 October 2007
Simon Batey	16 October 2007
Maurizio Carli and Sahar Elhabashi	9 May 2011

These letters of appointment have been amended to reflect subsequent remuneration reviews. Copies are available for inspection during normal business hours at the Company's registered office and will be available at our AGM.

Fees from external appointments

Other than fees of £44,164 received by Michael Tobin in connection with his role as a non-executive Director of Pacnet, neither of our executive Directors received any fees in the year ended 31 December 2012 in respect of non-executive directorships unconnected with the Group's business (2011: £nil).

Basis of preparation and approval of report

This report constitutes the Directors' Remuneration Report, prepared in accordance with Regulation 11 and Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Listing Rules of the Financial Services Authority.

Our Auditors are required to report to shareholders regarding Directors' remuneration, descriptions of the Group's long-term incentive arrangements and the information contained in tables 1, 2 and 3 in this report (the 'auditable parts') and to state whether, in their opinion, these parts of the report have been properly prepared in accordance with the Companies Act 2006.

As required by the Companies Act 2006, an advisory resolution to approve this report will be proposed at our forthcoming Annual General Meeting.

On behalf of the Remuneration Committee and Board

John O'Reilly
Chairman of the Remuneration Committee

12 February 2013

Independent auditors' report to the members of Telecity Group plc

We have audited the financial statements of Telecity Group plc for the year ended 31 December 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Net Debt Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union and as regards the Parent Company financial statements as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 98, 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). 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.

Scope of the audit of the financial statements

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 Group's and the Parent 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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2012 and of the Group's and the Parent Company's result for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 38 to 67 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 96, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Fiona Kelsey

Fiona Kelsey
(Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place London WC2N 6RH

12 February 2013

Consolidated income statement

		Notes	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Revenue		4	282,950	239,818
Cost of sales			(120,199)	(105,117)
Gross profit			162,751	134,701
Sales and marketing costs			(10,894)	(9,051)
Administrative costs analysed:				
Depreciation charges			(38,416)	(32,974)
Amortisation charges			(3,746)	(2,550)
Operating exceptional items		7	(3,072)	(5,275)
Other administrative costs			(22,395)	(19,492)
Administrative costs			(67,629)	(60,291)
Operating profit		4	84,228	65,359
Finance income		10	128	103
Finance costs		11	(7,695)	(6,300)
Other financing items		12	(515)	276
Profit on ordinary activities before taxation			76,146	59,438
Income tax charge		13	(18,038)	(16,797)
Profit for the year			58,108	42,641
Earnings per share:	basic (p)	14	29.1	21.7
	diluted (p)		28.5	21.1
Adjusted[1] earnings per share:	basic (p)	14	31.7	24.7
	diluted (p)		31.0	24.1

(1) Adjusted as set out in note 3.

The notes on pages 74 to 95 are an integral part of these financial statements.

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 (the 'Act') to not present the Company Income Statement nor the Company Statement of Comprehensive Income. The result for the Company for the year was a loss of £66,000 (2011: loss £1,000).

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Profit for the year		58,108	42,641
Other comprehensive income:			
Currency translation differences on foreign currency net investments		(3,398)	(7,838)
Fair value movement on cash flow hedges net of tax	24	(1,990)	8
Other comprehensive expense for the year net of tax		(5,388)	(7,830)
Total comprehensive income recognised in year attributable to owners of the parent		52,720	34,811

The notes on pages 74 to 95 are an integral part of these financial statements.

Items in the statement above are disclosed net of tax. The tax credit relating to components of other comprehensive income is £560,000 (2011: charge £1,414,000).

Consolidated statement of changes in equity

	Notes	Share capital £'000	Share premium account £'000	Retained profits £'000	Own shares £'000	Cumulative translation reserve £'000	Total equity £'000
At 1 January 2011		**396**	**74,127**	**176,043**	**(3,083)**	**10,062**	**257,545**
Profit for the year		–	–	42,641	–	–	42,641
Other comprehensive income:							
Currency translation differences on foreign currency net investments		–	–	–	–	(7,838)	(7,838)
Fair value movement on cash flow hedges net of tax	24	–	–	8	–	–	8
Total comprehensive income/(expense) for the year ended 31 December 2011		–	–	42,649	–	(7,838)	34,811
Transactions with owners:							
Credit to equity for share-based payments		–	–	3,021	–	–	3,021
Issue of shares	26	2	1,725	–	923	–	2,650
		2	1,725	3,021	923	–	5,671
At 31 December 2011 and 1 January 2012		**398**	**75,852**	**221,713**	**(2,160)**	**2,224**	**298,027**
Profit for the year		–	–	58,108	–	–	58,108
Other comprehensive income:							
Currency translation differences on foreign currency net investments		–	–	–	–	(3,398)	(3,398)
Fair value movement on cash flow hedges net of tax	24	–	–	(1,990)	–	–	(1,990)
Total comprehensive income/(expense) for the year ended 31 December 2012		**–**	**–**	**56,118**	**–**	**(3,398)**	**52,720**
Transactions with owners:							
Credit to equity for share-based payments		–	–	3,667	–	–	3,667
Tax credit relating to share option scheme	13	–	–	3,647	–	–	3,647
Purchase of own shares	26	–	–	–	(100)	–	(100)
Issue of shares	26	5	2,186	–	1,813	–	4,004
Dividends paid to equity holders of the Company	27	–	–	(5,007)	–	–	(5,007)
		5	2,186	2,307	1,713	–	6,211
At 31 December 2012		**403**	**78,038**	**280,138**	**(447)**	**(1,174)**	**356,958**

Company statement of changes in equity

	Notes	Share capital £'000	Share premium account £'000	Retained profits £'000	Other reserve £'000	Total £'000
At 1 January 2011		**396**	**74,127**	**101,991**	**5,514**	**182,028**
Loss for the year		–	–	(1)	–	(1)
Total comprehensive expense for the year ended 31 December 2011		–	–	(1)	–	(1)
Transactions with owners:						
Credit to equity for share-based payments		–	–	–	3,021	3,021
Issue of shares	26	2	1,725	–	–	1,727
		2	1,725	–	3,021	4,748
At 31 December 2011 and 1 January 2012		**398**	**75,852**	**101,990**	**8,535**	**186,775**
Loss for the year		–	–	(66)	–	(66)
Total comprehensive expense for the year ended 31 December 2012		–	–	(66)	–	(66)
Transactions with owners:						
Credit to equity for share-based payments		–	–	–	3,667	3,667
Issue of shares	26	5	2,186	–	–	2,191
Dividends paid to equity holders of the company	27	–	–	(5,007)	–	(5,007)
		5	2,186	(5,007)	3,667	851
At 31 December 2012		**403**	**78,038**	**96,917**	**12,202**	**187,560**

The notes on pages 74 to 95 are an integral part of these financial statements.

A description of each of the reserves is given in note 29.

Consolidated balance sheet

	Notes	31 December 2012 £'000	31 December 2011 £'000
Assets			
Non-current assets			
Intangible assets	15	151,029	135,760
Property, plant and equipment	16	589,088	438,875
Deferred income taxes	13	5,127	5,933
Trade and other receivables	19	817	1,126
		746,061	581,694
Current assets			
Trade and other receivables	19	34,121	26,365
Cash and cash equivalents	20	20,971	22,033
		55,092	48,398
Total assets		801,153	630,092
Equity			
Share capital	26	403	398
Share premium account		78,038	75,852
Retained profits		280,138	221,713
Own shares		(447)	(2,160)
Cumulative translation reserve		(1,174)	2,224
Total equity		356,958	298,027
Liabilities			
Non-current liabilities			
Deferred income	22	18,655	19,579
Borrowings	23	273,049	183,451
Derivative financial instruments	24	2,639	856
Provisions for other liabilities and charges	25	6,133	6,870
Deferred income taxes	13	21,142	18,026
		321,618	228,782
Current liabilities			
Trade and other payables	21	75,707	57,935
Deferred income	22	38,834	35,071
Current income tax liabilities		3,693	6,385
Borrowings	23	2,121	2,551
Derivative financial instruments	24	1,219	452
Provisions for other liabilities and charges	25	1,003	889
		122,577	103,283
Total liabilities		444,195	332,065
Total equity and liabilities		801,153	630,092

The notes on pages 74 to 95 are an integral part of these consolidated financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 12 February 2013 and signed on its behalf by:

Michael Tobin
Director

Brian McArthur-Muscroft
Director

Company balance sheet

	Notes	31 December 2012 £'000	31 December 2011 £'000
Assets			
Non-current assets			
Investments	17	184,691	181,024
		184,691	181,024
Current assets			
Trade and other receivables	19	2,869	5,751
		2,869	5,751
Total assets		187,560	186,775
Capital and reserves			
Share capital	26	403	398
Share premium account		78,038	75,852
Retained earnings		96,917	101,990
Other reserve		12,202	8,535
Total equity		187,560	186,775

The notes on pages 74 to 95 are an integral part of these financial statements.

The number under which the Company is registered at Companies House is 5603875.

The financial statements were approved by the Board of Directors and authorised for issue on 12 February 2013 and signed on its behalf by:

Michael Tobin
Director

Brian McArthur-Muscroft
Director

Consolidated cash flow statement

	Notes	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Cash inflow from operations	30	135,538	120,554
Interest received		126	111
Interest paid		(4,025)	(4,931)
Interest element of finance lease payments		(512)	(132)
Taxation paid		(14,602)	(9,028)
Cash inflow from operating activities		116,525	106,574
Purchase of operational property, plant and equipment		(22,791)	(21,837)
Operating free cash flows		93,734	84,737
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	18	(25,716)	(99,312)
Costs associated with acquisition of subsidiaries		(2,641)	(3,765)
Purchase of investment related property, plant and equipment		(131,531)	(109,908)
Purchase of freehold land		(4,864)	–
Purchase of landlord funded leasehold improvements		(15,000)	–
Cash used in investing activities		(179,752)	(212,985)
Cash flows from financing activities			
Net proceeds from borrowings		89,548	108,757
Costs relating to refinancing		(1,935)	(2,500)
Receipt of lease incentive		–	15,000
Net proceeds on issue of ordinary share capital		3,904	2,650
Dividends paid to owners of the parent		(5,007)	–
Net cash inflow from financing activities		86,510	123,907
Net increase/(decrease) in cash and cash equivalents		492	(4,341)
Effects of foreign exchange rate change		(1,554)	2,012
Cash and cash equivalents at beginning of year		22,033	24,362
Cash and cash equivalents at end of year	20	20,971	22,033

The notes on pages 74 to 95 are an integral part of these financial statements.

The Company does not hold cash and consequently has not presented a cash flow statement.

Consolidated net debt statement

		31 December 2012 £'000	31 December 2011 £'000
Increase/(decrease) in cash and cash equivalents		492	(4,341)
Cash inflow from movement in debt		(89,548)	(108,757)
Movement in deferred debt arrangement fees		(517)	1,294
Other non-cash movements in net debt		550	(253)
Change in net debt		(89,023)	(112,057)
Effects of foreign exchange rate change		(1,207)	4,869
Movement in net debt in year		(90,230)	(107,188)
Net debt at beginning of year		(163,969)	(56,781)
Net debt at end of year		(254,199)	(163,969)
Comprising:			
Borrowings	23	(275,170)	(186,002)
Cash and cash equivalents	20	20,971	22,033
Net debt at end of year		(254,199)	(163,969)

Notes to the financial statements

1. General information

Telecity Group plc (the 'Company') is a company incorporated and domiciled in the United Kingdom and has Sterling as its presentation and functional currency. Telecity Group plc and its subsidiaries (together the 'Group') operate in the internet infrastructure facilities and associated services industry within Europe. The operating companies of the Group are disclosed within note 17.

The Company is a public limited company which is listed on the London Stock Exchange.

All information in the notes relates to the Group, not the Company, unless otherwise stated.

2. Significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements have been incorporated into the relevant notes where possible. For example, the accounting policy for depreciation is contained in the property, plant and equipment note. General accounting policies which are not specific to a particular note, for example foreign exchange, are set out below.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with EU Endorsed International Financial Reporting Standards ('IFRS'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and the Companies Act 2006 (the 'Act') applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, with the exception of the Group's interest rate swap contracts (note 24) and the share-based payment expense (note 28) which are recorded at fair value.

The financial statements of the Company are presented as required by the Act. As permitted by the Act, the separate financial statements have been prepared in accordance with IFRS. The financial statements have been prepared on the historical cost basis as modified in respect of share-based payments (note 28).

2.2 Going concern

The Group generates operating cash flows which are invested in organic and inorganic investment activities. To the extent investment expenditure exceeds the operating cash flows of the business, the additional expenditure is funded by the Group's borrowing facilities (note 23). The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current facilities. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2.3 Accounting developments and changes

In the 2011 Annual Report we explained that the following amendment would be effective for the first time during 2012:

– Amendment to IAS 19, 'Employee benefits'

This amendment did not have a material impact on the financial statements of the Group. As such there have been no material changes to the Group's accounting policies since the previous Annual Report.

A number of new standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted. To the extent they are not relevant to the Group, they have been excluded from the following summary:

– Amendment to IAS 1, 'Financial statement presentation'. IFRS 9, 'Financial instruments'.

– IFRS 10, 'Consolidated financial statements'.

– IFRS 13, 'Fair value measurement'.

The Group is currently assessing the potential impact of the above, but currently anticipate that any changes will be limited to disclosure and presentation.

2.4 Significant accounting policy judgements

IFRS requires management to exercise its judgement in the process of determining and applying the Group's accounting policies. A summary of the Group's key accounting policy judgements is given below:

– Accounting for fair value movements of interest rate swap contracts – the Group holds several interest rate swap contracts (note 24). The Group has taken the decision to record fair value movements of such instruments in the statement of comprehensive income, rather than the income statement, where the conditions necessary for this have been met.

– Disclosure of segmental information – IFRS 8 allows the aggregation of operating segments provided that certain criteria are met. The Group considers that the aggregation of operating segments into the UK and the Rest of Europe is appropriate.

– Commencement of depreciation on new build data centres – when a new build data centre is constructed in zones, then depreciation is calculated on a zone-by-zone basis and commences when a zone is complete.

– Presentation of adjusted results – the Group presents adjusted results in addition to the statutory results as the Directors consider it provides a useful additional measure of performance. A reconciliation between the two is given in note 3.

2.5 Significant 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 value of property, plant and equipment is also reviewed for impairment triggers and, where there has been a trigger event, the present value of estimated future cash flows from these assets through use against the net book value is assessed. 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.

– Intangible assets amortisation – estimated remaining useful lives are reviewed annually. The carrying values of intangible assets 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 income from customer contracts and is therefore subjective.

– Dilapidations provisions – due to the significant investment the Group makes in its data centres along with the long property leases it has in place, when assessing dilapidation provisions it is generally expected that the Group shall continue to operate its data centres for the foreseeable future. As such, there is a low probability that any dilapidation amounts that may arise on the vacation of a site will become due. A site by site review is performed every six months and if any site specific circumstances arise that change this assessment a dilapidations provision is accounted for.

– Onerous lease provisions – liabilities in respect of onerous leases are reviewed and updated, where necessary, to reflect current conditions and intentions. The actual cost of these may be different depending upon whether the Group is successful in terminating or assigning the lease.

– Deferred taxation – full provision is made for deferred taxation at the rates of tax prevailing at the period end dates unless different future rates have been substantively enacted. Deferred tax assets are recognised where it is considered probable by the Directors that they will be recovered and, as such, are subjective.

2. Significant accounting policies continued

2.5 Significant accounting estimates and judgements continued

- Interest rate swap contracts – IAS 39 requires interest rate swap contracts to be recorded on the balance sheet at their fair value. The fair values of derivative instruments includes estimates of future interest rates and therefore is subjective.
- Share-based payments – 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 at the grant date is determined using either the Black Scholes or the Monte Carlo models and is expensed over the vesting period. The value of the expense is dependent upon certain key assumptions including the expected future volatility of the Group's share price at the date of grant.

2.6 Foreign exchange

Transactions in currencies other than the Group'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.

The balance sheets of foreign subsidiaries are translated into Sterling at the closing rates of exchange. The results are translated at an average rate, recalculated for each month between that month's closing rate and the equivalent for the preceding month, based on daily average for that month.

Foreign exchange differences arising from the translation of opening net investments in foreign subsidiaries at the closing rate, including long-term inter-company loans, are taken directly to reserves. In addition, foreign exchange differences arising from retranslation of the foreign subsidiaries' results from average rate to closing rate are also taken directly to the Group's cumulative translation reserve. Such translation differences are recognised in the income statement in the financial year in which the operations are disposed of.

The results of the Group's foreign currency denominated companies have been translated into Sterling using the average exchange rates for the year of 1.233 and 10.739 (2011: 1.153 and 10.414) for Euros and Swedish Krona respectively.

The year end balance sheets of these companies have been translated into Sterling using the closing exchange rates for the year of 1.223 and 10.525 (2011: 1.194 and 10.658) for Euros and Swedish Krona respectively. A 2% movement in the foreign exchange rates above would have impacted the profit for the year and year end net assets by £0.7m and £3.4m respectively.

2.7 Basis of consolidation

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They cease to be consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed on a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investments.

The excess of the consideration over the fair value of the Group's share of the identifiable net assets of the subsidiary acquired is recorded in goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 Group's infrastructure assets and are recognised on a straight-line basis over the period of the contract.

Generally, revenue from services, including engineering support, connectivity and other IT 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. Adjusted results

The following table provides a reconciliation between the Group's adjusted and statutory financial results:

	Year ended 31 December 2012			Year ended 31 December 2011		
	Adjusted results £'000	Adjustments £'000	Statutory total £'000	Adjusted results £'000	Adjustments £'000	Statutory total £'000
Revenue	282,950	–	282,950	239,818	–	239,818
Cost of sales	(120,199)	–	(120,199)	(105,117)	–	(105,117)
Gross profit	162,751	–	162,751	134,701	–	134,701
Depreciation charges	(38,416)	–	(38,416)	(32,974)	–	(32,974)
Amortisation charges(1)	–	(3,746)	(3,746)	–	(2,550)	(2,550)
Exceptional items(2)	–	(3,072)	(3,072)	–	(5,275)	(5,275)
Operating expenses	(33,289)	–	(33,289)	(28,543)	–	(28,543)
Total operating costs	(71,705)	(6,818)	(78,523)	(61,517)	(7,825)	(69,342)
Operating profit	91,046	(6,818)	84,228	73,184	(7,825)	65,359
Finance income	128	–	128	103	–	103
Finance costs	(7,695)	–	(7,695)	(6,300)	–	(6,300)
Other financing items(3)	–	(515)	(515)	–	276	276
Profit before tax	83,479	(7,333)	76,146	66,987	(7,549)	59,438
Income tax charge(4)	(20,175)	2,137	(18,038)	(18,397)	1,600	(16,797)
Profit for the year	63,304	(5,196)	58,108	48,590	(5,949)	42,641
Adjusted diluted earnings per share	31.0	(2.5)	28.5	24.1	(3.0)	21.1
Supplementary non-statutory information						
EBITDA	129,462	(3,072)	126,390	106,158	(5,275)	100,883
Depreciation charges	(38,416)	–	(38,416)	(32,974)	–	(32,974)
EBITA	91,046	(3,072)	87,974	73,184	(5,275)	67,909
Amortisation charges	–	(3,746)	(3,746)	–	(2,550)	(2,550)
Operating profit	91,046	(6,818)	84,228	73,184	(7,825)	65,359

(1) Amortisation charges are excluded from the Group's adjusted results as is emerging practice for high growth companies.

(2) Exceptional items by their very nature are not considered part of the Group's underlying business. The Group's definition of exceptional items is contained in note 7.

(3) Other financing items comprise foreign exchange movements on the Group's financing items and are not considered to be related to the underlying performance of the Group.

(4) The tax effect of the above items is also removed from the adjusted results.

4. Segmental information

Reportable segments are presented in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the segments, has been identified as the Board of Directors.

The Group is organised on a geographical basis and derives its revenue from the provision of colocation and related services in Finland, France, Germany, Ireland, Italy, the Netherlands, Sweden and the United Kingdom. These geographical locations comprise the Group's segments.

Due to similarities in services, customers, regulatory environment and economic characteristics across the countries in which the Group operates, the Group aggregates these operating segments into the UK and the Rest of Europe.

The Board reviews the Group's internal reporting in order to assess performance and allocate resources. The internal reporting principally analyses the performance of the UK and the Rest of Europe. When further detail is required the results of individual countries are reviewed. The Board has therefore determined the reportable segments to be the UK and the Rest of Europe.

The Group's income statement split by segment is shown below. Treasury and financing is managed on a Group-wide basis, as such it is not practical to allocate costs below operating profit to an individual reporting segment.

	Year ended 31 December 2012			Year ended 31 December 2011		
	UK £'000	Rest of Europe £'000	Total £'000	UK £'000	Rest of Europe £'000	Total £'000
Revenue	137,487	145,463	282,950	117,608	122,210	239,818
Cost of sales	(61,682)	(58,517)	(120,199)	(55,089)	(50,028)	(105,117)
Gross profit	75,805	86,946	162,751	62,519	72,182	134,701
Depreciation and amortisation charges	(17,914)	(24,248)	(42,162)	(15,232)	(20,292)	(35,524)
Operating expenses	(13,449)	(19,840)	(33,289)	(11,623)	(16,920)	(28,543)
Exceptional items (note 7)	–	(3,072)	(3,072)	(699)	(4,576)	(5,275)
Total operating costs	(31,363)	(47,160)	(78,523)	(27,554)	(41,788)	(69,342)
Operating profit	44,442	39,786	84,228	34,965	30,394	65,359
Finance income			128			103
Finance costs			(7,695)			(6,300)
Other financing items			(515)			276
Profit before tax			76,146			59,438
Income tax charge			(18,038)			(16,797)
Profit for the year			58,108			42,641

The above segmental results are shown after eliminating inter-segment trading of £1,628,000 (2011: £1,989,000). The Group had no customers from which greater than 10% of revenue was derived during the year.

The Group's KPIs by reportable segment are shown below. To the extent it is not practical to measure a KPI by reportable segment due to, for example, the common financing structure, the Group KPI is given.

	Year ended 31 December 2012			Year ended 31 December 2011		
	UK	Rest of Europe	Total	UK	Rest of Europe	Total
Available customer power (MW)	34	52	86	27	41	68
Total fitted-out space (sq.m)	34,600	49,900	84,500	30,500	40,800	71,300
Announced customer power (MW)	58	77	135	57	67	124
Occupancy (%)	85.0	75.8	79.6	92.6	76.8	83.5
Revenue (£'000)	137,487	145,463	282,950	117,608	122,210	239,818
Adjusted EBITDA (£'000)	62,356	67,106	129,462	50,896	55,262	106,158
Revenue per sq.m (£/sq.m)	4,803	4,302	4,531	4,369	4,421	4,395
Adjusted diluted EPS (p)			31.0			24.1
Return on capital employed (%)			16.4			18.0

The following table shows the Group's assets and liabilities by reporting segment. Segment assets consist primarily of property, plant and equipment, intangible assets, trade and other receivables, and cash and cash equivalents. Segment liabilities principally comprise trade and other payables, deferred income and provisions for other liabilities and charges. Certain assets and liabilities, for example Group treasury cash balances and bank borrowings, are managed on a central basis and as such have not been allocated to individual segments.

	Year ended 31 December 2012			Year ended 31 December 2011		
	UK £'000	Rest of Europe £'000	Total £'000	UK £'000	Rest of Europe £'000	Total £'000
Segment assets	332,989	449,372	782,361	255,945	350,185	606,130
Unallocated assets			18,792			23,962
Total assets			801,153			630,092
Segment liabilities	(101,526)	(66,233)	(167,759)	(91,358)	(47,871)	(139,229)
Unallocated liabilities			(276,436)			(192,836)
Total liabilities			(444,195)			(332,065)
Additions to intangible assets	–	20,097	20,097	12,013	66,845	78,858
Additions to property, plant and equipment	89,334	102,520	191,854	77,697	82,994	160,691
Additions to non-current assets	89,334	122,617	211,951	89,710	149,839	239,549

5. Directors' emoluments and key management compensation

The Directors' emoluments, including retirement benefits, are disclosed on page 65 within the Directors' Remuneration Report, which forms part of the financial statements. Key management compensation, which includes that of the executive and non-executive Directors, is as follows:

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Salaries and other short-term employee benefits	2,438	2,331
Pension payments – defined contribution plans	172	149
Share-based payment charges[1]	777	636
	3,387	3,116

(1) The share-based payment charge is measured in line with the IFRS2 expense charged to the income statement during the year.

6. Employee information

The average monthly number of persons employed by the Group, including Directors with service contracts, during the year was:

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
By activity		
Operations	458	388
Sales and marketing	72	62
Administration	82	77
	612	527

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Remuneration costs for these persons		
Wages and salaries	30,754	26,451
Social security costs	6,750	6,144
Pension payments – defined contribution plans	737	657
Other post-employment benefits	33	484
Share-based payments charges (note 28)	3,667	3,021
	41,941	36,757

7. Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

During the year the Group acquired Tenue and Academica (note 18). As part of these transactions the Group incurred associated costs, mainly professional fees, stamp duty and restructuring costs, totalling £2,641,000. The transaction-related expenses in respect of the prior year relate to the acquisition of Data Electronics and UK Grid. In addition, in conducting the annual review of provisions held in respect of onerous leases (note 25), the Group has increased the amounts provided in respect of certain leases. The additional provisions totalled £431,000.

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Transaction-related expenses	2,641	3,765
Increase in onerous lease provision	431	1,510
	3,072	5,275

8. Auditors' remuneration

Amounts paid and payable to the Auditors are shown below:

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Group audit fees	226	215
Audit of subsidiary financial statements[1]	64	56
Total audit fees	**290**	271
Interim review fees	26	25
Taxation assurance services	–	28
Other audit-related assurance services	62	214
Total audit-related assurance services	**88**	267
Other taxation services	93	221
Other accounting services	13	6
Transaction services	–	40
Total other services	**106**	267
Total Auditors' remuneration	**484**	805

(1) The fees in respect of audit work common to both Group reporting and subsidiary financial statements are disclosed within the Group audit fees.

In addition to the above fees, the Group incurred statutory audit fees of £24,000 in respect of secondary auditors.

For further information on the Group's policy in respect of Auditors' remuneration see page 49 of the Report of the Audit Committee.

9. Expenses analysed by nature

The Group classifies its expenses by nature into the following categories. Power costs represent the total cost of power to the Group including environmental taxes. Property costs include rent payments, service charge and taxes in addition to ancillary property costs such as insurance. Staff and staff-related costs include expenses such as training and recruitment in addition to the staff remuneration costs disclosed in note 6. Other costs comprise operational maintenance costs, sales and administrative costs and cost of sales of services.

	Year ended 31 December 2012			Year ended 31 December 2011		
	Adjusted £'000	Adjustments £'000	Statutory total £'000	Adjusted £'000	Adjustments £'000	Statutory total £'000
Power costs	40,517	–	40,517	34,622	–	34,622
Property costs	36,904	431	37,335	32,928	1,510	34,438
Staff and staff-related costs	43,390	–	43,390	37,906	–	37,906
Other costs	32,677	2,641	35,318	28,204	3,765	31,969
	153,488	3,072	156,560	133,660	5,275	138,935
Depreciation charges	38,416	–	38,416	32,974	–	32,974
Amortisation charges	–	3,746	3,746	–	2,550	2,550
	191,904	6,818	198,722	166,634	7,825	174,459

10. Finance income

Finance income arising from bank deposits is recognised in the income statement on an accruals basis.

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Bank and other interest	128	103

11. Finance costs

Finance costs 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 expenditure 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. The interest rate charged on the capitalised interest was 4.7% (2011: 4.3%). Tax relief is available on capitalised interest.

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Interest payable on long-term loan	8,748	5,387
Interest payable on finance leases	512	137
Amortisation of loan arrangement costs	2,452	1,438
Gross cost of borrowings	11,712	6,962
Less interest capitalised (note 16)	(5,376)	(2,493)
Net cost of borrowings	6,336	4,469
Loan commitment fees	722	1,376
Unwinding of discounts in respect of onerous lease	168	271
Other	469	184
	7,695	6,300

12. Other financing items

Other financing items represent finance costs or income not directly related to the Group's trading activity or financing, but those that are triggered as a result of external factors – principally foreign exchange movements on financial assets and liabilities. As such, these financing items are disclosed separately in the financial statements to provide a clearer understanding of the Group's underlying financing costs.

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Net foreign exchange (losses)/gains on financing items	(515)	276

13. Income tax charge

The tax expense represents the sum of the tax currently payable and deferred tax. 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 tax is also dealt with in equity.

Current tax 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 Group'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 and at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. 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 Group 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.

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 Group intends to settle its current tax assets and liabilities on a net basis.

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Current tax		
Current tax on profit for the year	15,054	12,020
Adjustments in respect of prior years	(644)	(1,084)
Total current tax	14,410	10,936
Deferred tax		
Origination and reversal of temporary differences	4,659	3,982
Adjustment in respect of prior years	70	2,149
Impact of change in UK tax rate	(1,101)	(270)
Total deferred tax	3,628	5,861
Income tax charge	18,038	16,797

13. Income tax charge continued

The tax recorded in the income statement on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group as follows:

	Year ended 31 December 2012			Year ended 31 December 2011		
	Adjusted £'000	Adjustments £'000	Total £'000	Adjusted £'000	Adjustments £'000	Total £'000
Profit before tax	83,479	(7,333)	76,146	66,987	(7,549)	59,438
Multiplied by weighted average local tax rates	20,712	(1,822)	18,890	17,370	(1,957)	15,413
Items not taken into account for tax purposes and other timing differences	356	467	823	232	357	589
Adjustment in respect of prior years	(574)	–	(574)	1,065	–	1,065
Impact of change in the UK tax rate	(319)	(782)	(1,101)	(270)	–	(270)
	20,175	(2,137)	18,038	18,397	(1,600)	16,797

The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, the Group's UK profits for 2012 were taxed at an effective rate of 24.5%. Furthermore as a result of the change in the UK corporation tax rate from 24% to 23% that was substantively enacted on 26 June 2012 and that will be effective from 1 April 2013, the relevant deferred tax balances at 31 December 2012 have been re-measured at 23%. Further reductions to the UK tax rate have been announced. The changes, which are expected to be enacted separately each year, propose to reduce the rate to 21% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

In addition to the amounts that have been charged to the income statement, the following amounts of tax have been charged directly to equity:

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Current tax		
Share-based payment schemes	2,838	–
Deferred tax		
Share-based payment schemes	809	–
Tax effect of interest rate cash flow hedges	560	(39)
Tax on net investment items	–	(1,375)
	4,207	(1,414)

The credit in respect of the share-based payment schemes relates to the expected future tax deduction the Group will receive when employees exercise options.

Deferred tax

At the year end the Group recognised a net deferred tax liability of £16,015,000 (2011: £12,093,000) mainly in respect of accelerated tax depreciation and intangible customer contract valuation, partially offset by tax losses.

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

Group	31 December 2012 £'000	31 December 2011 £'000
Deferred tax assets:		
– deferred tax assets to be recovered after more than 12 months	1,525	1,837
– deferred tax assets to be recovered within 12 months	3,602	4,096
	5,127	5,933
Deferred tax liabilities:		
– deferred tax liabilities to be recovered after more than 12 months	(21,142)	(18,026)
	(21,142)	(18,026)
Deferred tax assets (net)	(16,015)	(12,093)

13. Income tax charge continued

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

	Tax losses £'000	Accelerated tax depreciation £'000	Intangible customer contract valuation £'000	Onerous lease liability £'000	Other £'000	Total £'000
At 1 January 2011	18,136	(13,992)	(5,165)	1,812	859	1,650
(Charged)/credited to income statement	(6,456)	(1,816)	1,222	208	981	(5,861)
Charged to other comprehensive income	(1,375)	–	–	–	(39)	(1,414)
Acquisition of subsidiary	–	(563)	(5,834)	–	–	(6,397)
Foreign exchange movements	(170)	152	–	(47)	(6)	(71)
At 31 December 2011	10,135	(16,219)	(9,777)	1,973	1,795	(12,093)
(Charged)/credited to income statement	(2,115)	(3,354)	1,642	(145)	344	(3,628)
Credited to other comprehensive income	–	–	–	–	560	560
Credited directly to equity	–	–	–	–	809	809
Acquisition of subsidiaries (note 18)	573	28	(2,370)	–	–	(1,769)
Foreign exchange movements	(202)	360	26	(48)	(30)	106
At 31 December 2012	8,391	(19,185)	(10,479)	1,780	3,478	(16,015)

Deferred income tax assets are recognised for tax losses to the extent that the realisation of the related tax benefit through future taxable profits is probable. In addition to the amounts recognised above, the Group has unrecognised deferred tax assets relating to tax losses of approximately £14,305,000 (2011: £16,169,000) which relate to several of the Group's subsidiary companies.

14. Earnings per share

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 year, excluding those held by the Employee Benefit Trust.

Adjusted earnings per share is calculated on the same basis but uses the adjusted profit attributable to equity holders of the Company.

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 is calculated as shown in note 3.

	Year ended 31 December 2012 Unadjusted basic	Year ended 31 December 2011 Unadjusted basic	Year ended 31 December 2012 Adjusted basic	Year ended 31 December 2011 Adjusted basic
Profit attributable to equity holders of the Company (£'000)	58,108	42,641	63,304	48,590
Weighted average number of shares in issue ('000)	199,981	196,788	199,981	196,788
Earnings per share (p)	29.1	21.7	31.7	24.7

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 year, adjusted for the weighted average effect of share options outstanding during the year. Details of the Group's share option schemes are set out in note 28.

Adjusted diluted earnings per share is calculated on the same basis but uses adjusted profit (note 3) attributable to equity shareholders of the Company.

	Year ended 31 December 2012 Unadjusted diluted	Year ended 31 December 2011 Unadjusted diluted	Year ended 31 December 2012 Adjusted diluted	Year ended 31 December 2011 Adjusted diluted
Profit attributable to equity holders of the Company (£'000)	58,108	42,641	63,304	48,590
Weighted average diluted number of shares in issue ('000)	204,086	201,890	204,086	201,890
Diluted earnings per share (p)	28.5	21.1	31.0	24.1

The following table shows the reconciliation between the basic and diluted weighted average number of shares:

	Year ended 31 December 2012 '000	Year ended 31 December 2011 '000
Weighted average basic number of shares in issue	199,981	196,788
Effect of share options	1,043	2,162
Effect of performance shares	3,062	2,940
Weighted average diluted number of shares in issue	204,086	201,890

15. Intangible assets

The Group's intangible assets comprise goodwill and customer contracts and are treated as assets and liabilities of the entity to which they relate and are translated at the relevant closing foreign exchange rate.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, including intangible assets, of the acquired subsidiary at the date of acquisition. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intangible assets, other than goodwill, represent customer contracts acquired during business combinations. The customer contracts are initially recognised at fair value and amortised over estimated useful economic lives of between ten and 20 years, with current remaining lives of between four and 13 years (2011: five and 14 years). The fair value is calculated by estimating the future cash flows expected to arise from the intangible asset and applying a suitable discount rate.

Group	Goodwill arising on consolidation £'000	Customer contracts £'000	Total £'000
Cost			
At 1 January 2011	**43,436**	**25,259**	**68,695**
Acquired through business combinations	55,518	23,340	78,858
Foreign exchange movements	(2,301)	(862)	(3,163)
At 31 December 2011	**96,653**	**47,737**	**144,390**
Acquired through business combinations (note 18)	9,794	10,303	20,097
Foreign exchange movements	(979)	(133)	(1,112)
At 31 December 2012	**105,468**	**57,907**	**163,375**
Accumulated amortisation			
At 1 January 2011	**–**	**6,131**	**6,131**
Charge for the year	–	2,550	2,550
Foreign exchange movements	–	(51)	(51)
At 31 December 2011	**–**	**8,630**	**8,630**
Charge for the year	–	3,746	3,746
Foreign exchange movements	–	(30)	(30)
At 31 December 2012	**–**	**12,346**	**12,346**
Net book value			
At 31 December 2012	**105,468**	**45,561**	**151,029**
At 31 December 2011	96,653	39,107	135,760
At 30 December 2010	43,436	19,128	62,564

Additions during the year arise from the acquisition of Tenue and Academica which are disclosed in note 18.

Impairment testing

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units ('CGU') that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each country in which it has operations.

Goodwill is tested for impairment annually. The main assumptions used when performing the impairment test are set out below. Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value-in-use calculation requires an estimation of future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates of 2.5% (2011: 4%) for both the UK and Rest of Europe. The growth rate does not exceed the long-term average growth rate for the operating segment in which the CGU operates. The pre-tax discount rate applied to the pre-tax cash flow projections was 9.4% (2011: 10%) for both the UK and rest of Europe. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. A segment-level summary of goodwill allocation is presented below:

	Year ended 31 December 2012			Year ended 31 December 2011		
	UK £'000	Rest of Europe £'000	Total £'000	UK £'000	Rest of Europe £'000	Total £'000
Goodwill	**42,454**	**63,014**	**105,468**	42,454	54,199	96,653

The Group assesses at each reporting date whether its customer contracts intangible assets may be impaired. If any such indicator exists, the Group 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 recognised.

16. 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.

Depreciation is calculated from the date an asset becomes available for use, so as to write off the difference between the cost of the asset 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. The principal periods over which assets are depreciated are:

Freehold land and buildings	Freehold land is not depreciated, freehold property is depreciated over 50 years
Leasehold improvements	7–30 years straight-line
Plant and machinery	5–20 years straight-line
Office equipment	3–5 years straight-line

Assets in the course of construction are not depreciated. Once such assets are brought into use, such assets are transferred into the appropriate asset class and depreciated over their expected useful economic life.

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.

Group	Assets in the course of construction £'000	Freehold land and buildings £'000	Leasehold improvements £'000	Plant and machinery £'000	Office equipment £'000	Total £'000
Cost						
At 1 January 2011	**48,961**	**–**	**186,114**	**244,476**	**7,848**	**487,399**
Exchange differences	(743)	(169)	(5,108)	(2,880)	(119)	(9,019)
Acquisition	–	3,869	20,134	2,118	776	26,897
Additions	96,967	–	13,639	22,765	423	133,794
Transfers	(45,857)	–	5,592	41,406	(1,141)	–
Disposals	–	–	(309)	(578)	(105)	(992)
At 31 December 2011	**99,328**	**3,700**	**220,062**	**307,307**	**7,682**	**638,079**
Exchange differences	(648)	(51)	(2,069)	(2,387)	(85)	(5,240)
Acquisitions (note 18)	1,595	–	4,334	3,786	1	9,716
Additions	115,935	4,896	27,755	32,678	874	182,138
Transfers	(87,054)	–	22,610	64,283	161	–
Disposals	–	–	(1,132)	(45)	(51)	(1,228)
At 31 December 2012	129,156	8,545	271,560	405,622	8,582	823,465
Accumulated depreciation						
At 1 January 2011	–	–	67,567	95,373	6,627	169,567
Exchange differences	–	–	(1,321)	(1,334)	(79)	(2,734)
Charge for year	–	15	15,070	17,279	610	32,974
Transfers	–	–	(12,490)	13,692	(1,202)	–
Disposals	–	–	(184)	(314)	(105)	(603)
At 31 December 2011	**–**	**15**	**68,642**	**124,696**	**5,851**	**199,204**
Exchange differences	–	(4)	(844)	(1,210)	(69)	(2,127)
Charge for year	–	17	17,194	20,607	598	38,416
Disposals	–	–	(1,024)	(43)	(49)	(1,116)
At 31 December 2012	–	28	83,968	144,050	6,331	234,377
Net book value						
At 31 December 2012	129,156	8,517	187,592	261,572	2,251	589,088
At 31 December 2011	99,328	3,685	151,420	182,611	1,831	438,875
At 31 December 2010	48,961	–	118,547	149,103	1,221	317,832

The net book value of assets held under finance leases at 31 December 2012 is £13,421,000 (2011: £10,811,000). Such assets are categorised as plant and machinery in the above table.

Included within additions to assets in the course of construction for the year are capitalised finance and other costs (principally rent and rates incurred during the construction or commissioning phase) in respect of the Group's new data centres, totalling £5,376,000 and £3,670,000 respectively (2011: £2,493,000 and £2,000,000). The interest rate charged on the capitalised interest is disclosed in note 11.

The Company does not hold any property, plant and equipment.

17. Investments

Investments in subsidiary undertakings are stated at cost plus the value of share options and performance shares granted to employees of these subsidiaries.

Company	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
At 1 January	181,024	178,003
Additions	3,667	3,021
At 31 December	184,691	181,024

The acquisitions of Tenue Oy and Academica Oy were made by subsidiary undertakings of the Company and therefore do not impact the Company's cost of investments.

The principal subsidiary undertakings of the Company, the results of which are included in the consolidated financial statements, and their principal activities are set out below:

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of shares held %	Principal activity
Data Electronics Group Limited	Ireland	Ordinary	100	Intermediate holding company
TeleCity UK Limited	Great Britain ('GB')	Ordinary	100	Intermediate holding company
TelecityGroup Holdings Limited	GB	Ordinary	100	Intermediate holding company
TelecityGroup Investments Limited	GB	'A' and 'B' ordinary	100	Intermediate holding company
TelecityGroup International Limited	GB	Ordinary	100	Intermediate holding company
Academica Oy	Finland	Ordinary	100	Internet infrastructure
Data Electronics Services Limited	Ireland	Ordinary	100	Internet infrastructure
TelecityGroup France S.A.	France	Ordinary	100	Internet infrastructure
TelecityGroup Germany GmbH	Germany	Ordinary	100	Internet infrastructure
TelecityGroup Ireland Limited	Ireland	Ordinary	100	Internet infrastructure
TelecityGroup Italia S.p.A.	Italy	Ordinary	100	Internet infrastructure
TelecityGroup Italia S.r.l.	Italy	Ordinary	100	Internet infrastructure
TelecityGroup Netherlands B.V.	The Netherlands	Ordinary	100	Internet infrastructure
TelecityGroup Scandinavia A.B.	Sweden	Ordinary	100	Internet infrastructure
TelecityGroup UK Limited	GB	Ordinary	100	Internet infrastructure
TeleTenue Oy	Finland	Ordinary	100	Internet infrastructure

Other than TelecityGroup Investments Limited, which is owned directly by Telecity Group plc, these companies are owned by intermediate holding companies. The Group also contains a number of non-trading subsidiaries, a full list of which is contained in the financial statements of TelecityGroup Investments Limited.

18. Business combinations

During the year the Group made two acquisitions in Finland, Tenue on 6 August 2012 and Academica on 5 November 2012. In both cases the Group acquired 100% of the share capital of the company. Both businesses operate in the carrier-neutral data centre market and are considered complementary strategic fits within the Group that offer the opportunity for growth in Finland and an opportunity to capture the growth in Russian internet traffic. Due to the proximity of the acquisitions, the relatively small size of the Tenue deal and the similarity of the businesses, combined disclosures have been given for the acquisitions.

The total cash consideration was £25.9m and the fair value of net assets acquired was £16.1m.

The Group expects much of the value relating to these acquisitions will arise from executing the expansion plans that are in place. The goodwill is attributable to the operating cash flows of new customer contracts expected to be signed post-acquisition relating to such expansions.

The combined results of Tenue and Academica from the start of their financial years, 1 January, to the date of acquisition, along with the post-acquisition results, is summarised below. These amounts have been calculated before allocation of the Group's central costs, using the Group's accounting policies and by adjusting the results to reflect the depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment had applied from 1 January 2012, together with the consequential tax effects.

	Pre-acquisition £'000	Post-acquisition £'000	Total £'000
Revenue	10,488	2,956	13,444
Cost of sales	(7,313)	(1,601)	(8,914)
Gross profit	3,175	1,355	4,530
Total administrative costs	(2,130)	(979)	(3,109)
Operating profit	1,045	376	1,421
Net finance costs	(162)	(36)	(198)
Profit before tax	883	340	1,223
Taxation	(126)	(110)	(236)
Profit after tax	757	230	987

Neither business had any other gains or losses in the year other than those shown above. The combined profit after tax of the businesses in the year ended 31 December 2011 was £102,000 (€119,000).

18. Business combinations continued

The fair value of assets and liabilities arising from the acquisitions was as follows:

	Total £'000
Property, plant and equipment	9,716
Customer contracts	10,303
Deferred tax	(1,769)
Trade and other receivables	1,746
Trade and other payables	(4,074)
Cash	198
Fair value of net assets acquired	16,120
Goodwill	9,794
Total purchase consideration	25,914
Less cash acquired	(198)
Net consideration included in the cash flow statement	25,716

The costs incurred in respect of these acquisitions are classified as exceptional and detailed in note 7.

19. Trade and other receivables

Trade and other receivables are recognised at historical cost less any impairment, which approximates to fair value.

	Group		Company	
	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000	**Year ended 31 December 2012 £'000**	Year ended 31 December 2011 £'000
Current				
Trade receivables – gross	**19,837**	13,908	**–**	–
Bad debt provision (note 37)	**(900)**	(1,096)	**–**	–
Trade receivables – net	**18,937**	12,812	**–**	–
Amounts due from fellow Group companies	**–**	–	**2,869**	5,751
Other receivables	**2,382**	3,560	**–**	–
Prepayments	**11,085**	8,787	**–**	–
Accrued income	**1,717**	1,206	**–**	–
	34,121	26,365	**2,869**	5,751
Non-current				
Rental deposits	**782**	944	**–**	–
Other receivables	**35**	182	**–**	–
	817	1,126	**–**	–

The credit quality of trade receivables is included in the note 37.

The carrying amount of the Group's trade and other receivables is denominated in the following currencies:

	31 December 2012 £'000	31 December 2011 £'000
Sterling	**12,746**	11,765
Euro	**18,971**	13,175
Swedish Krona	**3,131**	2,451
US Dollar	**90**	100
	34,938	27,491

20. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly-liquid investments with original maturities of three months or less.

The carrying amount of the Group's cash and cash equivalents is denominated in the following currencies:

Cash	**31 December 2012 £'000**	31 December 2011 £'000
Sterling	**8,743**	10,488
Euro	**10,533**	10,068
Swedish Krona	**1,641**	1,323
US Dollar	**54**	154
	20,971	22,033

The Directors consider the carrying values of the cash balances to approximate to their fair value due to their short maturity period and the interest rate that they bear. The Directors consider the banks with which the Group banks to be of sound credit quality.

21. Trade and other payables

Trade and other payables are measured at historical cost, which approximates to their fair values due to their short maturity period.

Group	Group 31 December 2012 £'000	31 December 2011 £'000
Trade payables	8,543	7,718
Capital expenditure payables	21,822	14,362
Other payables	4,578	4,464
Taxation and social security	5,446	3,383
Accruals	35,318	28,008
	75,707	57,935

The carrying amount of the Group's trade and other payables is denominated in the following currencies:

	31 December 2012 £'000	31 December 2011 £'000
Sterling	37,786	32,757
Euro	34,860	22,771
Swedish Krona	3,012	2,400
US Dollar	49	7
	75,707	57,935

22. Deferred income

Deferred income is initially recorded at the value of cash received and then amortised over the period to which the payment relates.

	31 December 2012 £'000	31 December 2011 £'000
Current		
Deferred revenue	38,334	34,571
Deferred lease incentive	500	500
	38,834	35,071
Non-current		
Deferred revenue	4,822	5,246
Deferred lease incentive	13,833	14,333
	18,655	19,579
Total deferred income	57,489	54,650

The deferred lease incentive relates to a cash amount that was received from the landlord on signing of a lease and is being recognised in the income statement over the period of the lease.

The carrying amount of the Group's deferred income is denominated in the following currencies:

	31 December 2012 £'000	31 December 2011 £'000
Sterling	38,814	38,837
Euro	15,950	13,659
Swedish Krona	2,725	2,154
	57,489	54,650

23. 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 period in which they arise.

Leasing agreements that transfer to the Group 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.

	31 December 2012 £'000	31 December 2011 £'000
Current		
Bank borrowings	–	550
Obligations under finance leases	2,121	2,001
	2,121	2,551
Non-current		
Bank borrowings	263,459	174,676
Obligations under finance leases	9,590	8,775
	273,049	183,451
Total borrowings	275,170	186,002

Bank borrowings relate to the Group's senior debt facility and comprise a term loan of £100, 000,000 (2011: £50,000,000) and amounts drawn under the revolving credit facility. The bank borrowings attract interest at LIBOR, or equivalent based on the currency of the borrowing (herein referred to as LIBOR), plus a margin. The margin is variable and calculated with reference to the ratio of the Group's last twelve months' EBITDA to net debt. The margin is recalculated based on interest periods set by the Group, typically between one and three months. The borrowings are secured by a debenture over all the assets of the Company, including shares in, and assets of, certain subsidiary undertakings. The Directors consider the carrying value of the borrowings to approximate to their fair values as they attract a market rate of interest.

The Group has three principal banking covenants under its senior debt facility which are outlined below:

- Total leverage: the Group's net debt to EBITDA ratio is covenanted to not breach certain levels.
- Fixed charge cover: the Group's interest and rent expenses ('fixed charge') must be covered by a multiple of pre-rent and interest earnings.
- Total cash cover: the Group's interest cost must be covered by a multiple of cash flows, excluding certain permitted capital expenditure.

At the year end, the Group is in full compliance with these covenants and expects to remain so for the foreseeable future.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The maturity profile of borrowings is set out below:

	31 December 2012 £'000	31 December 2011 £'000
Within one year	2,551	2,551
In one to two years	2,616	2,001
In two to three years	2,532	9,989
In three to four years	18,365	17,982
In four to five years	254,456	157,803
After five years	725	2,373
Gross borrowings	281,245	192,699
Less future interest and unamortised debt issue costs	(6,075)	(6,697)
Net borrowings	275,170	186,002

Amounts drawn under the revolving credit facility are included in the above analysis with reference to the term for which the Group can continue to roll such amounts.

The carrying amount of the Group's borrowings is denominated in the following currencies:

	31 December 2012 £'000	31 December 2011 £'000
Sterling	138,729	87,047
Euro	88,650	64,609
Swedish Krona	47,791	34,346
	275,170	186,002

23. Borrowings continued

The Group uses interest rate swaps to fix the LIBOR rate it pays on its borrowings. The split of borrowings between fixed and variable is shown below:

	31 December 2012 £'000	31 December 2011 £'000
Fixed rate borrowings	210,377	116,277
Variable rate borrowings	64,793	69,725
	275,170	186,002
Percentage of borrowings at fixed rate	76.5	62.5

The Group has undrawn committed loan facilities at the year end as shown below:

	31 December 2012 £'000	31 December 2011 £'000
Senior debt facility	350,000	300,000
Finance lease facility	26,250	22,500
Gross borrowings drawn	(281,245)	(192,699)
Rental guarantees issued under senior debt facility	(5,493)	(5,508)
Undrawn committed loan facility	89,512	124,293

A commitment fee is payable on the undrawn committed facilities at a rate of 45% (2011: 45%) of the applicable margin.

24. Derivative financial instruments

Interest rate derivatives are recognised initially at fair value and subsequent to initial recognition are revalued at each reporting date. The fair value is based on the market values of equivalent instruments at the relevant date. Amounts payable and receivable on interest rate derivatives are recognised in the period to which they relate. Where the instrument meets the definition for hedge accounting, movements in fair value of the interest rate swap are taken to reserves. In all other cases movements are charged or credited to the income statement.

In order to manage the Group's exposure to movements in LIBOR, or equivalent based on the currency of the borrowing (herein referred to as LIBOR), the Group uses interest rate swaps. Under these arrangements the Group pays interest at a fixed rate and receives interest at LIBOR. The amounts of interest paid and received are calculated on the nominal value of the interest rate swap.

After taking account of the effect of the interest rate swaps, the average interest rate in respect of drawn borrowings was 4.0% (2011: 4.3%).

At the year end the Group had the following contracts outstanding:

At 31 December 2012

Nominal value '000	Currency	Maturity date	Fixed rate
72,000	Sterling	12 February 2013	2.235%
20,000	Sterling	20 February 2013	1.133%
92,000(1)	Sterling	13 February 2015	1.355%
40,000	Euro	5 October 2014	1.505%
44,000	Euro	13 February 2015	1.225%
400,000	Swedish krona	28 February 2015	2.180%

(1) This instrument has a start date of 13 February 2013.

At 31 December 2011

Nominal value '000	Currency	Maturity date	Fixed rate
72,000	Sterling	12 February 2013	2.235%
40,000	Euro	5 October 2014	1.505%

The fair value of interest rate swaps is shown below:

	31 December 2012 £'000	31 December 2011 £'000
Current	(1,219)	(452)
Non-current	(2,639)	(856)
	(3,858)	(1,308)

The non-current element of the interest rate swap and the related cash flows are expected to occur in approximately equal annual instalments over the remaining life of the instruments.

A reconciliation of the movement in the fair value of the Group's financial derivatives is shown below:

	31 December 2012 £'000	31 December 2011 £'000
Opening fair value	(1,308)	(1,355)
Posted to reserves	(2,550)	47
Closing fair value	(3,858)	(1,308)

The interest rate swaps were entirely effective during the year and therefore £nil (2011: £nil) was recorded in the income statement.

25. Provisions for other liabilities and charges

Provisions are recognised when the Group 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.

After initial measurement, any subsequent adjustments to dilapidations provisions are normally recorded against the original amount included in leasehold improvements with a corresponding adjustment to future depreciation charges.

	Dilapidations £'000	Onerous leases £'000	Total £'000
At 1 January 2011	–	5,704	5,704
Exchange differences	–	(147)	(147)
Increase	1,557	1,510	3,067
Unwinding of discount	–	271	271
Utilised	–	(1,136)	(1,136)
At 1 January 2012	1,557	6,202	7,759
Exchange differences	–	(151)	(151)
Increase	–	431	431
Unwinding of discount	–	168	168
Utilised	–	(1,071)	(1,071)
At 31 December 2012	**1,557**	**5,579**	**7,136**

The provision for onerous leases relates to the estimated discounted future costs of certain property leases with average remaining terms of nine years. The dilapidations provision relates to the estimated costs of returning one of the Group's properties to its original condition at the expiry of the lease in two years' time. The Directors consider the carrying values of the provisions to approximate to their fair values as they have been discounted at the risk free rate.

The maturity profile of provisions is set out below:

	31 December 2012 £'000	31 December 2011 £'000
Provisions – current	**1,003**	889
Provisions – non-current	**6,133**	6,870
	7,136	7,759

26. Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Shares held in the Employee Benefit Trust ('EBT') over which the Group has direct or indirect control are deducted from the reserves of the Group.

Ordinary shares of £0.002 each	Number '000	Value £'000
Allotted		
At 1 January 2011	198,092	396
Shares issued under share option schemes	800	2
At 31 December 2011	198,892	398
Shares issued under share option schemes	2,538	5
At 31 December 2012	**201,430**	**403**

Each share carries one vote at general meetings.

During the year, 1,118,000 new shares were issued under the Group's share option schemes for total consideration of £2,188,000 and 1,420,000 new shares were issued to the EBT for total consideration of £3,000.

In addition to the issue of new shares during the year, 2,363,000 shares were issued from the EBT under the Group's share options schemes for total consideration of £1,816,000.

All shares are fully paid with the exception of those held by the EBT. At the year end the EBT owed an amount of £447,000 (2011: £2,160,000) in respect of such shares.

27. Dividends

The dividends paid in 2012 totalled £5,007,000 (2011: £ nil) representing an interim dividend of 2.5p per ordinary share. A final dividend in respect of the year ended 2012 of 5.0p per ordinary share is to be proposed at the AGM. These financial statements do not reflect this final dividend.

28. Share plans

Under the Group's long-term incentive plans, performance shares and share options are granted to senior management. In addition, the Group operates a sharesave scheme which is available to all staff. The details of the share option schemes are contained in the Directors' Remuneration Report on page 64. The release of these shares is conditional upon continued employment, certain market vesting conditions and, in the case of enhanced awards, three-year target EPS compound annual growth rates. 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, and in the case of the enhanced awards the achievement of EPS growth targets, 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.

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.

The following share options and performance shares, including those in respect of the sharesave scheme, were outstanding at the year end:

			At 31 December 2012			At 31 December 2011		
	Exercise price £	Expiry date	Vested ('000)	Not vested ('000)	Total outstanding ('000)	Vested ('000)	Not vested ('000)	Total outstanding ('000)
2006 share option plan	0.78	May 2017	–	–	–	77	–	77
May 2007 share option plan	0.78	May 2017	–	–	–	25	–	25
October 2007 share option plan	2.20	October 2017	89	–	89	860	–	860
2008 share option plan	2.12	March 2018	238	–	238	1,081	–	1,081
2009 performance share plan	N/A	February 2019	248	–	248	–	1,669	1,669
2009 sharesave scheme	1.44	January 2017	35	–	35	–	331	331
2010 performance share plan	N/A	March 2020	–	940	940	–	952	952
2010 Directors' bonus shares	N/A	February 2012	–	–	–	–	80	80
2011 performance share plan	N/A	February 2021	–	872	872	–	844	844
2011 sharesave scheme	3.74	October 2015	–	188	188	–	188	188
2011 Directors' bonus shares	N/A	February 2013	–	69	69	–	69	69
2012 performance share plan	N/A	February 2022	–	764	764	–	–	–
2012 enhanced performance share plan	N/A	April 2022	–	565	565	–	–	–
2012 Directors' bonus shares	N/A	February 2014	–	56	56	–	–	–
2012 sharesave scheme	7.09	April 2016	–	145	145	–	–	–
Total			610	3,599	4,209	2,043	4,133	6,176

Details of the Directors' bonus shares are contained in the Directors' Remuneration Report on page 66.

The weighted average exercise price of vested share options and performance shares was £1.23 (2011: £2.09).

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

	2012		2011	
	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	2.12	2,562	1.91	3,872
Granted	7.09	145	3.74	188
Forfeited	1.71	(34)	2.62	(6)
Exercised	1.99	(1,979)	1.76	(1,492)
At 31 December	3.57	694	2.12	2,562

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

	2012 Number of performance shares '000	2011 Number of performance shares '000
At 1 January	3,614	2,778
Granted	1,439	933
Forfeited	(37)	(97)
Exercised	(1,501)	–
At 31 December	3,515	3,614

The average share price during the year was £7.97 (2011: £5.38).

28. Share plans continued

Performance shares granted during the current and previous year were valued using the Monte Carlo option-pricing model. The grants under the sharesave scheme during the year were valued using the Black Scholes option-pricing model. The fair value per option granted and the assumptions used in these calculations are as follows:

Grant date	November 2012 Sharesave	April 2012 Enhanced Performance shares	February 2012 Performance shares	March 2011 Sharesave	February 2011 Performance shares
Share price (£)	8.82	7.45	6.83	4.72	5.03
Exercise price (£)	7.09	nil	nil	3.74	Nil
Expected volatility (%)	32.1	31.6	32.6	46.3	46.8
Expected life (years)	3.0	3.0	3.0	3.0	3.0
Risk free rate (%)	0.42	0.59	0.57	1.71	1.96
Expected dividend yield (%)	1.0	1.0	1.0	nil	nil
Fair value per option (£)	2.35	5.59	4.03	1.95	3.43

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:

	April 2012 %	February 2012 %	February 2011 %
Average share price volatility FTSE 250 comparator group	29	27	47
Average correlation FTSE 250 comparator group	37	38	26

The expected 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 in note 6.

29. Reserves

The Group and the Company Statements of Changes in Equity are disclosed as primary statements on page 70. Below is a description of the nature and purpose of the individual reserves:

- share capital represents the nominal value of shares issued, including those issued to the EBT (note 26);
- share premium account includes the amounts paid over nominal value in respect of share issues, net of related costs;
- retained profits include the accumulated realised and certain unrealised gains and losses made by the Company and the Group;
- own shares held by the Group represent 222,000 (2011: 1,149,000) shares in Telecity Group plc. All shares are held by the EBT. These shares are listed on a recognised stock exchange and their market value and nominal value at 31 December 2011 was £1,742,000 (2011: £7,432,000) and £443 (2011: £2,000) respectively. The EBT is a discretionary trust for the benefit of employees and the shares held are used to satisfy some of the Group's obligations to employees for share options and other long-term incentive plans;
- currency translation differences on foreign currency net investments arise from the re-translation of the net investments in overseas subsidiaries, including long-term intercompany loans that are considered part of the Group's investment in its subsidiaries; and
- the Company's other reserve represents the cumulative share-based payment charged to reserves.

30. Cash inflow from operations

The reconciliation of profit on ordinary activities before taxation to net cash inflow from operating activities is as follows:

	31 December 2012 £'000	31 December 2011 £'000
Profit on ordinary activities before taxation	76,146	59,438
Add finance costs	7,695	6,300
Less finance income	(128)	(103)
Add/(less) other financing items	515	(276)
Add intangible asset amortisation	3,746	2,550
Add exceptional items	3,072	5,275
Adjusted operating profit (note 3)	91,046	73,184
Depreciation charge	38,416	32,974
Loss on disposal of property, plant and equipment	3	189
Share-based payment charges	3,667	3,021
Movement in trade and other receivables	(6,845)	485
Movement in trade and other payables	7,335	8,243
Movement in deferred income	2,144	3,773
Movement in provisions	(959)	691
Exchange movement	731	(2,006)
Net cash inflow from operating activities	**135,538**	**120,554**

31. Financial commitments

The Group's future undiscounted minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	31 December 2012 £'000	31 December 2011 £'000	31 December 2012 £'000	31 December 2011 £'000
Falling due:				
– within one year	29,961	27,501	137	234
– between two and five years	110,018	102,163	188	332
– in more than five years	417,980	377,609	–	–
	557,959	507,273	325	566

Costs in respect of operating leases are charged on a straight-line basis over the term of the lease. Benefits received by the Group 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. During the construction phase of a data centre, operating lease costs are capitalised as part of the cost of the asset.

	31 December 2012 £'000	31 December 2011 £'000
Operating lease payments incurred during the year:		
– property	28,842	27,852
– plant and machinery	29	60
– other	361	439
	29,232	28,351

32. 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 2012 amounted to £28,913,000 (2011: £43,030,000).

33. Contingent liabilities

Financial guarantees granted by the Group's banks primarily in respect of operating leases amount to £5,493,000 at 31 December 2012 (2011: £5,508,000).

At the inception of a property 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 likely duration of the lease and the likelihood of this liability arising, the Directors take into account their contractual and statutory rights to renew or extend the lease terms. If the likelihood of this liability arising is judged to be probable, the discounted cost of the liability is included in leasehold improvements and is depreciated over the duration of the lease.

At 31 December 2012 the estimated discounted cost of reinstating leasehold properties at the end of leases in accordance with the lease contracts amounted to £9,180,000 (2011: £7,513,000). In addition to this, £1,557,000 (2011: £1,557,000) is recorded within provisions (note 25). The leases expire over a range of one to 30 years.

34. Related party transactions

The Directors have not identified any related parties and transactions other than the remuneration of key management, which is disclosed in note 5.

35. Post balance sheet events

The Directors have reviewed events occurring after the balance sheet and determined that no such events require adjustment to, or disclosure in, the financial statements.

36. Financial instruments

IFRS 7 requires certain disclosures in respect of financial instruments. Due to the Group's relatively straightforward financing structure, the key disclosures in respect of debt maturity and interest rate exposure are dealt with in notes 23 and 24. The further disclosures required by IFRS 7 are given below.

Financial risk management

The Group is subject to the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's financial risk management policies are contained in the section of principal risks and uncertainties on pages 30 and 31.

Financial risk management disclosures

The table below analyses the Group's undiscounted financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than one year	Between one and two years	More than two years
At 31 December 2012			
Trade and other payables excluding taxation and social security (note 21)	70,261	–	–
Borrowings (note 23)	2,551	2,616	276,078
Derivative financial instruments (note 24)	1,219	2,538	101
	74,031	5,154	276,179

	Less than one year	Between one and two years	Between two and five years
At 31 December 2011			
Trade and other payables excluding taxation and social security (note 21)	54,552	–	–
Borrowings (note 23)	2,551	2,001	188,147
Derivative financial instruments (note 24)	452	735	121
	57,555	2,736	188,268

IFRS 7 requires the disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial instruments that are measured at fair value at 31 December 2012.

	Level 1	Level 2	Level 3	Total
Liabilities				
Derivative financial instruments (note 24)	–	3,858	–	3,858

The following table presents the Group's financial instruments that are measured at fair value at 31 December 2011.

	Level 1	Level 2	Level 3	Total
Liabilities				
Derivative financial instruments (note 24)	–	1,308	–	1,308

The book value of the Group's financial instruments at the year end is shown below:

	Notes	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Financial assets			
Loans and receivables:			
– trade receivables	19	18,937	12,812
– other receivables	19	2,417	3,742
– accrued income	19	1,717	1,206
Cash and cash equivalents	20	20,971	22,033
Total financial assets		44,042	39,793
Financial liabilities			
Amortised cost:			
– trade payables	21	30,365	22,080
– other payables	21	4,578	4,464
– accruals	21	35,318	28,008
– borrowings	23	275,170	186,002
– provisions for other liabilities and charges	25	7,136	7,759
Derivative financial instruments	24	3,858	1,308
Total financial liabilities		356,425	249,621

37. Trade receivables impairment disclosures

Due to effective credit control procedures, the Group mitigates its exposure to the risk of bad debt. In addition the Group's up-front billing cycle means that customers are generally due to pay in advance of receiving the service. The following disclosures are in respect of trade receivables that are either impaired or past due. The credit quality of the remaining trade receivables is considered good.

Included within trade receivables is an amount of £7,998,000 (2011: £3,058,000) 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:

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Up to three months	7,638	2,773
Three to six months	281	151
More than six months	79	134
	7,998	3,058

In addition to the above amounts, the Group has a number of trade receivables that are impaired. The impairment balance relates to receivables with a gross value of £947,000 (2011: £1,353,000). The ageing analysis of these amounts is shown below:

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Up to three months	754	1,060
Three to six months	65	82
More than six months	128	211
	947	1,353

Movements on the Group provision for impairment of trade receivables are as follows. All amounts recorded in the Consolidated Income Statement are included within administrative expenses:

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
At 1 January	1,096	1,655
Acquired provision	10	125
Increase in provision for receivables impairment	146	190
Receivables written off during the year as uncollectable	(262)	(605)
Unused amounts reversed	(69)	(275)
Foreign exchange movement	(21)	6
At 31 December	900	1,096

The Group holds cash deposits of £272,000 (2011: £257,000) as security against the trade receivables.

38. Glossary of terms

Below is a glossary of terms commonly used by the Group:

Announced customer power – The value of available customer power once all currently announced expansion projects are complete.

Available customer power – The total value of power that the Group has available to sell to customers, including the amount already sold.

Cost of drawn debt – Interest payable on long-term loans and finance leases (note 11) divided by the average borrowings during the year.

EBITDA – Earnings before interest, taxation, depreciation and amortisation. A reconciliation from EBITDA to operating profit is contained in note 3.

EBITA – Earnings before interest, taxation and amortisation. A reconciliation from EBITA to operating profit is contained in note 3.

Free cash flow – Operating free cash flow less net cash used in investing activities.

Gross interest rate – Gross cost of borrowings (note 11) divided by the average borrowings during the year.

Investment capital expenditure – Capital expenditure that results in additional available customer power or a significant enhancement to the currently installed customer power.

Leverage – Year end net debt divided by EBITDA.

Net debt – Borrowings (note 23) less cash (note 20).

Operating free cash flow – Cash inflow from operating activities as stated on the cash flow statement less operational property, plant and equipment capital expenditure. Capital expenditure is classified as operating rather than investment if it does not result in additional available customer power or a significant enhancement to the currently installed available customer power.

Revenue per occupied sq.m – Total revenue divided by the average occupied space during the year.

Directors' report

The Directors present their Annual Report and audited financial statements of the Company and the Group for the year ended 31 December 2012.

This Directors' report contains certain statutory, regulatory and other information and incorporates, by reference, the Overview and Strategic, Performance and Governance reviews included earlier in this document.

Business review

A review of the development of the Group's business during the year and its future prospects is included in the Overview, the Strategic review, the Performance review and Governance review on pages 2 to 67, which should be read in conjunction with this report, of which they form part. The information in these sections, along with this Directors' report, comprises the Business Review as required by Section 417 of the Companies Act 2006 (the 'Act').

Principal activities

The Group is the leading pan-European provider of carrier-neutral data centres providing colocation and related data centre services.

The principal activity of the Company is that of an investment company. The principal activities of the Company's subsidiaries are contained in note 17 of the financial statements.

Results and dividends

The results for the year ended 31 December 2012 are set out in the Consolidated Income Statement on page 69. The Board has proposed a final dividend of 5p per ordinary share in respect of the year (2011: nil), payable on 19 April 2013 to shareholders on the register at the close of business on 15 March 2013, giving a total dividend in respect of 2012 of 7.5p per ordinary share (2011: nil).

2013 Annual General Meeting ('AGM')

The Company's AGM will be held at the offices of Hogan Lovells International LLP, Atlantic House, Holborn Viaduct, London EC1A 2FG at 2.30pm on 16 April 2013.

An explanation of the resolutions to be proposed at the AGM, and the recommendation of Directors in relation to these, are included in the circular accompanying this Annual Report to shareholders. Resolutions regarding the authority to issue and repurchase shares are commented upon in the share capital table on the following page.

Corporate governance

The Company's Governance Review is contained on pages 38 to 67.

Change of control

In the event of a takeover, a scheme of arrangement (other than a scheme of arrangement for the purposes of creating a new holding company) or certain other events, unvested executive Director and employee share awards may in certain circumstances become exercisable.

Substantial shareholdings

At 11 February 2013, the Company had been notified in accordance with the Disclosure and Transparency Rules of the UK Listing Authority, or was aware, that the following held, or were beneficially interested in, 3% or more of the Company's shares at that date:

	Number of shares	Total voting rights %
Norges Bank	17,186,022	8.53
Standard Life Investments Ltd	15,529,968	7.71
Butterfield Trust (1)	8,718,151	4.33
Legal & General Group PLC	7,967,897	3.96
Oppenheimer Funds	7,078,305	3.51
BlackRock, Inc	7,065,529	3.51

(1) These shares are held by Butterfield Trust as trustee for trusts for the benefit of Oliver R. Grace Jr and members of his family. Mr Grace also has an interest in an additional 4,511,673 shares.

The Company received no notifications of interests of shareholders indicating a different whole percentage holding at 31 December 2012.

Such circumstances depend on the achievement of performance conditions or the discretion of the Remuneration Committee. The Company does not have any agreements with any Director or officer that would provide compensation for loss of office or employment resulting from a takeover.

The Group has facility agreements with its bank lenders which contain provisions giving those lenders certain rights on a change of control of the Company.

Financial instruments

Information on the financial risk exposure, management objectives and policies of the Group is set out in the Financial Review on pages 34 to 37.

Payment of suppliers

The Company's policy, which is also applied by the Group, is to set terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment; and to abide by these terms of payment. The year end Group trade creditors balance represented 82 days of purchases (2011: 71). The creditor days figure is not representative of the Group's underlying payment terms with suppliers due to the inclusion of £21.8m (2011: £14.4m) of capital creditors in the year end balance. Adjusting for these capital creditors reduces the creditor days for the current year to 23 (2011: 25). The Company did not have any trade creditors at 31 December 2012 (2011: £nil).

Employment

The Group 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 Group 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 Group. If members of staff become disabled the Group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

The Group 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 Group is encouraged, as is achieving a common awareness on the part of all employees of the financial and economic factors affecting the Group. The Group encourages the involvement of employees by means of briefing meetings as well as more informal communications.

Going concern

Comprehensive financial forecasts have been prepared and submitted to the Board for review. Based on the information contained in these forecasts and the assessment of the Group's banking facilities, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors

The Directors of the Company who served during the year were:

John Hughes (Chairman)	**Brian McArthur-Muscroft** (Group Finance Director)	**Sahar Elhabashi**
Michael Tobin (Chief Executive Officer)	**Simon Batey**	**John O'Reilly**
	Maurizio Carli	

Certain key matters in connection with the Directors are shown below:

– The business of the Company is managed by its Directors who may exercise all powers of the Company subject to the Articles of Association and UK legislation. Directors of the Company are appointed either by the Board or by shareholders under the Company's Articles of Association and may resign or be removed in a similar manner.

– Biographical details of the current Directors are set out on pages 40 and 41. The Directors' interests in the ordinary share capital of the Company and any interests known to the Company of their connected persons are set out in the Report of the Remuneration Committee on page 66.

– The Company has made qualifying third party indemnity provisions for the benefit of its Directors in relation to certain losses and liabilities that they may incur in the course of acting as Directors of the Company or its subsidiaries, which remain in force at the date of this report.

– No member of the Board had a material interest in any contract of significance with the Company or any of its subsidiaries at any time during the year, except for their interests in shares and in share awards and under their service agreements and letters of appointment disclosed in the Report of the Remuneration Committee commencing on page 60.

Charitable and political donations

During the year the Group made charitable donations in cash and in kind amounting to £182,500 (2011: £150,682).

Individual donations of £2,000 or above comprised the following:

Action for Children	£18,000
Co-operation Ireland	£5,000
Help for Heroes	£10,000
Make a Wish	£14,750
The Loomba Foundation	£25,000
The Prince's Trust	£46,150
The Bokemei Foundation	£4,055
TPT (UK) Limited – Superstars	£2,020
Great Ormond Street Children's Charity	£31,475

The Group made no political donations during the year (2011: £nil).

Share capital

Certain key information relating to the Company's shares is shown below.

– The Company's shares at the year end comprised entirely ordinary shares of £0.002 each which rank equally in all respects.

– The rights attached to the shares, in addition to those conferred on their holders by law, are set out in the Company's Articles of Association. The Company's Articles of Association may only be amended by a Special Resolution of the shareholders.

– There are no restrictions on the transfer of shares or on the exercise of voting rights attached to them, except: (i) where the Company has exercised its right to suspend their voting rights or to prohibit their transfer following the omission of their holder or any person interested in them to provide the Company with information requested by it in accordance with Part 22 of the Act; or (ii) where their holder is precluded from exercising voting rights by the FSA's Listing Rules or the City Code on Takeovers and Mergers.

– The Group operates employee share plans as set out in the Report of the Remuneration Committee on page 64 in note 28 of the financial statements.

– In relation to the options granted at the time of the Company's IPO in 2007, and the Directors' deferred bonus shares, an Employee Benefit Trust ('EBT') holds shares pending employees becoming entitled to them. 221,526 shares were so held as at 31 December 2012. The EBT has an independent trustee which has full discretion in relation to the voting of such shares. Shares held in the EBT have any entitlement to dividends waived.

– Save as described above, shares acquired through the Company's employee share plans rank pari passu with shares in issue and have no special rights.

– At the year end, the Company had authority exercisable by the Directors to issue up to 66,849,500 shares subject to certain restrictions. The Company will seek to renew this authority at the 2013 Annual General Meeting ('AGM').

– At the year end, the Company had authority exercisable by the Directors for the purposes of Section 701 of the Act to make one or more market purchases (within the meaning of Section 693 of the Act) of up to 20,054,941 shares. The Company will seek to renew this authority at the 2013 AGM.

Further details of the Company's share capital are set out in note 26.

Directors' responsibility statement

The Directors have prepared the Annual Report and the financial statements in accordance with their responsibilities under applicable law and regulations. Further details of this are shown below.

- Company law requires the Directors to prepare financial statements for each financial year. As required by International Accounting Standards Regulations, the Directors have prepared the Group financial statements under International Financial Reporting Standards ('IFRS') as adopted by the European Union and have also elected to prepare the Parent Company financial statements in accordance with IFRS as adopted by the European Union. The financial statements have been prepared, as required by law, to give a true and fair view of the state of affairs of the Group and the Company and of the profit of the Group for the year.
- In preparing these financial statements, the Directors confirm that to the best of their knowledge they have:
  - properly selected and applied accounting policies and applied them consistently;
  - made judgements and assumptions that are reasonable and prudent;
  - presented information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
  - provided additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
- In accordance with the responsibilities of the Directors, the Group maintains adequate accounting records to record all transactions so that they disclose with reasonable accuracy at any time the financial position of the Company and to ensure that the financial statements comply with the Act. They are responsible for safeguarding the assets of the Company and have taken reasonable steps for the prevention and detection of fraud and other irregularities.
- The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.
- Each of the Directors in office at the date of approval of this report confirms that to the best of their knowledge:
  - The Group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
  - The Overview, Strategic review, Performance review and Governance review, along with the Directors' report of which they form part, together include a true and fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that it faces.

Disclosure of information to Auditors

Each Director in office at the date of this report has confirmed that:

- so far as he or she is aware, there is no relevant audit information of which the Group's Auditors are unaware; and
- he or she has taken all the reasonable steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group's Auditors are aware of and had access to that information and relevant employees.

This confirmation is given in accordance with Section 418(2) of the Act.

Auditors

PricewaterhouseCoopers LLP, the Group's auditors, have indicated their willingness to continue in office and, on the recommendation of the Audit Committee and in accordance with Section 489 of the Act, a resolution to re-appoint them will be put to the 2013 AGM.

By order of the Board

Tony Hunter
Company Secretary

12 February 2013

Five-year track record

Shown below are the Group's adjusted results for the last five years. The definition of adjusted results is contained in note 3.

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Revenue	**282,950**	239,818	196,397	169,383	133,040
Cost of sales	**(120,199)**	(105,117)	(86,624)	(80,656)	(69,805)
Gross profit	**162,751**	134,701	109,773	88,727	63,235
Sales and marketing costs	**(10,894)**	(9,051)	(7,517)	(6,415)	(6,747)
Administrative costs analysed:					
Depreciation	**(38,416)**	(32,974)	(25,394)	(23,639)	(20,952)
Other administrative costs	**(22,395)**	(19,492)	(18,819)	(18,397)	(16,062)
Total administrative costs	**(60,811)**	(52,466)	(44,213)	(42,036)	(37,014)
Adjusted operating profit	**91,046**	73,184	58,043	40,276	19,474
Finance income	**128**	103	11	117	863
Finance costs	**(7,695)**	(6,300)	(5,017)	(3,788)	(3,904)
Adjusted profit before tax	**83,479**	66,987	53,037	36,605	16,433
Adjusted income tax charge	**(20,175)**	(18,397)	(9,646)	(3,398)	5,313
Adjusted profit after tax	**63,304**	48,590	43,391	33,207	21,746

A reconciliation of adjusted profit after tax to profit for the year is shown below:

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Adjusted profit after tax	**63,304**	48,590	43,391	33,207	21,746
Less amortisation charges	**(3,746)**	(2,550)	(1,664)	(1,174)	(1,151)
Less exceptional items	**(3,072)**	(5,275)	(1,206)	–	–
Add/(less) other financing items	**(515)**	276	(4,226)	2,689	4,737
Tax effect of the above	**2,137**	1,600	1,736	–	–
Profit for the year	**58,108**	42,641	38,031	34,722	25,332

The Group's KPIs for the last five years are shown below:

	2012	2011	2010	2009	2008
Available customer power (MW)	**86**	68	58	51	38
Total fitted-out space ('000 sq.m)	**84.5**	71.3	64.2	58.5	51.4
Announced customer power (MW)	**135**	124	107	67	60
Occupancy (%)	**79.6**	83.5	79.6	76.1	78.3
Revenue (£'000)	**282,950**	239,818	196,397	169,383	133,040
Adjusted EBITDA (£'000)	**129,462**	106,158	83,437	63,915	40,426
Adjusted EPS (p)	**31.0**	24.1	21.7	16.8	11.1
Revenue per sq.m (£/sq.m)	**4,531**	4,395	4,137	3,866	3,409
Return on capital employed (%)	**16.4**	18.0	17.9	14.2	8.9

Corporate information

Company Secretary
Tony Hunter

Registered office
Masters House
107 Hammersmith Road
London W14 0QH

T +44 (0)20 7603 1515

F +44 (0)20 7603 8448

Operational headquarters
4th Floor
Exchange Tower
2 Harbour Exchange Square
London E14 9GE

T +44 (0)20 7001 0000

Website
www.telecitygroup.com

Investor email
ir@telecitygroup.com

Registered number
5603875

Registrars
Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

T 0871 664 0300 (from within the UK)
(calls cost 10p per minute plus network extras)
or + 44 (0)20 8639 3399 (from outside the UK).
Lines are open 8.30am–5.30pm

F +44 (0)20 8658 3430

E ssd@capitaregistrars.com

Corporate brokers
Barclays Bank plc
1 Churchill Place
London E14 5HP

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB

Principal bankers
Barclays Bank plc
1 Churchill Place
London E14 5HP

HSBC Bank plc
60 Queen Victoria Street
London EC4N 4TR

Lloyds Banking Group plc
10 Gresham Street
London EC2V 7AE

The Royal Bank of Scotland Group plc
280 Bishopsgate
London EC2M 4RB

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

Solicitors
Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS

Hogan Lovells International LLP
Atlantic House
Holborn Viaduct
London EC1A 2FG

Reed Smith LLP
The Broadgate Tower
20 Primrose Street
London EC2A 2RS

American Depositary Receipts

Telecity Group plc has an American Depositary Receipt ('ADR') programme that trades on the over-the-counter market in the United States.

This is a sponsored Level 1 ADR programme for which the Deutsche Bank Trust Company Americas acts as Depositary.

For shareholder enquiries, please use the following contact details:

Deutsche Bank
Trust Company Americas
c/o American Stock Transfer & Trust Company
Peck Slip Station
P.O. Box 2050
New York, NY 10272-2050

E DB@amstock.com

Provisional reporting calendar for 2013

Other than in relation to the dates of the preliminary announcement of 2012 results and Annual General Meeting, the following dates are provisional. Announcements will be made approximately one month in advance to notify the actual dates.

Preliminary announcement of 2012 annual results	13 February 2013
Annual General Meeting	16 April 2013
First interim management statement	7 May 2013
Announcement of half year results	30 July 2013
Second interim management statement	4 November 2013
Preliminary announcement of 2013 annual results	12 February 2014

Outstanding data centres.
Expertise you can trust.

www.telecitygroup.com

Amsterdam
+31 (0)20 564 0800
nl.info@telecity.com

Dublin
+353 (0)1 433 2000
ie.info@telecity.com

Frankfurt
+49 (0)69 900 210
de.info@telecity.com

Helsinki
+358 (0)9 4281 720
fi.info@telecity.com

London
+44 (0)20 7001 0101
uk.info@telecity.com

Manchester
+44 (0)161 232 3200
uk.info@telecity.com

Milan
+39 02 489 8000
it.info@telecity.com

Paris
+33 (0)1 49 97 30 60
fr.info@telecity.com

Stockholm
+46 (0)8 799 3800
se.info@telecity.com

RECYCLED
Paper made from recycled material
FSC® C001785

Printed by Park Communications on FSC® certified paper.

Park is an EMAS certified CarbonNeutral® Company and its Environmental Management System is certified to ISO 14001.

100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled. This document is printed on Revive 100 White Silk and Revive 100 White Offset. Both papers contain 100% post consumer recycled fibre, which are either Process Chlorine Free (PCF) or Totally Chlorine Free (TCF).

Designed and produced by Black Sun Plc.