



IX Europe plc

Placing and Admission to AIM

Nominated Adviser and Broker

 Investec

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Application has been made for the whole of the issued and to be issued ordinary share capital of IX Europe plc (the "Company") to be admitted to trading on AIM, a market operated by the London Stock Exchange. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Neither the UK Listing Authority nor the London Stock Exchange has examined or approved the contents of this document. The AIM Rules are less demanding than those of the Official List of the UK Listing Authority.

The Directors of the Company whose names appear on page 4 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This document constitutes an admission document prepared and drafted in accordance with the AIM Rules. It is not a prospectus and has not been delivered to the Financial Services Authority in accordance with the Prospectus Regulations 2005.

The Ordinary Shares are not traded on any other recognised investment exchange and no applications have been or are being made for the Ordinary Shares to be admitted to any such exchange. It is expected that Admission will become effective, and dealings in the Ordinary Shares will commence on AIM, on 7 April 2006.

The attention of investors is drawn in particular to the Risk Factors set out in Part 2 of this document. The whole text of this document should be reviewed in the light of these risk factors.

IX EUROPE PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 3796971)

Placing of 45,454,546 Ordinary Shares at 22p per share Admission to trading on AIM

Nominated Adviser and Broker Investec

Ordinary share capital immediately following Admission

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
250,000,000	£2,500,000	Ordinary Shares of 1 pence each	172,584,323	£1,725,843

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PLACING STATISTICS

Placing Price	22 pence
Number of Ordinary Shares being placed on behalf of the Company	45,454,546
Number of Ordinary Shares in issue immediately following the Placing and Admission	172,584,323
Estimated net proceeds of the Placing receivable by the Company	£8.5 million
Market capitalisation at the Placing Price immediately following Admission	£38.0 million
Percentage of enlarged issued share capital subject to the Placing	26.3 per cent.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission effective and dealings commence on AIM	7 April 2006
CREST accounts credited with Ordinary Shares in uncertificated form	7 April 2006
Despatch of definitive share certificates	On or before 24 April 2006

DIRECTORS, SECRETARY AND ADVISERS

Directors on Admission	Sir Anthony Cleaver Guy de Rohan Willner Christophe de Buchet Karen Bach Erick Rinner Richard Mead	<i>(Chairman)</i> <i>(Chief Executive Officer)</i> <i>(Chief Operating Officer)</i> <i>(Chief Financial Officer)</i> <i>(Non-Executive Director)</i> <i>(Non-Executive Director)</i>
Company Secretary	Karen Bach	
Registered office	Airport Gate Unit 1 Bath Road West Drayton Middlesex UB7 0NA	
Nominated adviser and broker	Investec 2 Gresham Street London EC2V 7QP	
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Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	

KEY INFORMATION

The following summary should be read in conjunction with the full text of this document from which it is derived.

- IX Europe is one of Europe's largest and fastest growing datacentre outsourcers, focused on providing capacity and service to enterprise, Internet and telecoms customers.
- IX Europe has ten datacentres in four European countries: the UK, Germany, France and Switzerland.
- The Group provides a wide range of datacentre services including co-location space, dedicated suites, network services, technical support and business continuity services.
- Approximately 85 per cent. of the Group's total revenue in 2005 was recurring revenue from long term customer contracts (typically one to five years).
- IX Europe experienced a low churn rate of approximately 3 per cent. for the year ended 31 December 2005.
- IX Europe has a stable and experienced management team led by the founders Guy Willner (Chief Executive) and Christophe de Buchet (Chief Operating Officer) and Sir Anthony Cleaver (Non-Executive Chairman) who joined the Group, and has been an investor since, shortly after its foundation.
- Early investors in the Group, European Acquisition Capital and BA Capital Partners Europe, have continued to support IX Europe financially and have committed not to sell shares in IX Europe at Admission and for the following 12 months.
- The Group has a proven cash generative model for its individual datacentres.
- IX Europe's growth strategy is to grow through a combination of new build and the expansion of existing datacentres and by identifying suitable acquisition opportunities.
- The Group intends to raise approximately £8.5 million (after expenses) to:
 - Repay a £5.0 million bridging loan
 - Repay £1.9 million deep discounted bonds
 - Contribute to the fit out of a proposed new datacentre located in West London.

The attention of prospective investors is drawn to the information contained in the rest of this document and, in particular, to the risk factors set out in Part 2.

PART 1

INFORMATION ON THE GROUP

1. Introduction

IX Europe is one of Europe's largest and fastest growing datacentre outsourcers, focused on providing capacity and service to enterprise, Internet and telecoms customers. Launched in 1999, IX Europe has demonstrated rapid customer growth and year on year revenue growth in excess of 30 per cent. IX Europe has ten datacentres in four European countries: the UK, Germany, France and Switzerland. The Group provides a wide range of datacentre services including co-location space, dedicated suites, network services, technical support and business continuity services.

The Directors believe that the Group has established market leadership as an independent provider of high quality datacentre capacity to its customers. This is demonstrated by the customer base which comprises over 400 enterprise, Internet and telecoms companies and also by the recent operational and financial performance of the Group. IX Europe has successfully increased occupancy rates at its datacentres with more than 79 per cent. of net datacentre space occupied at 31 December 2005 (where net datacentre space is defined as fitted out datacentre space which is available to house customer IT and telecoms equipment). In addition the Group has plans to increase by 45 per cent. the amount of net datacentre space at existing sites by expanding its infrastructure. Approximately 85 per cent. of total Group revenue in 2005 was recurring revenue from long term customer contracts (typically one to five years). The Group has a stable customer base and has experienced a low churn rate (see Glossary) of approximately 3 per cent. during the year ended 31 December 2005.

The Directors believe that one of the key factors contributing to the success of IX Europe has been its stable and experienced management team and the support of long term shareholders. The Group was founded by Guy Willner, Chief Executive Officer, and Christophe de Buchet, Chief Operating Officer, and Sir Anthony Cleaver has been Chairman and an investor since shortly after the Group's foundation. This senior management team positioned the Group so that it was able to continue to grow its revenues during the collapse of the Internet market which began in the year 2000. The two major financial investors in the Group, European Acquisition Capital and BA Capital Partners Europe, have led the funding of the business since 1999 and 2000 respectively. Both European Acquisition Capital and BA Capital Partners Europe have agreed not to sell any of their shares at Admission and for the following 12 months thereafter.

IX Europe's proven business model is based on securing long term customer contracts in order to provide a growing base of recurring revenues and to leverage a relatively fixed overhead cost base. The combination of increasing datacentre occupancy rates and low revenue churn has delivered strong EBITDA margins and cash generation in the Group's more mature datacentres. The majority of capital expenditure on fixed assets has been related to the creation of new datacentre space to generate revenue growth. IX Europe achieved 45 per cent. revenue growth in the year ended 31 December 2005 (39 per cent. excluding acquisitions), 59 per cent. gross profit growth with improving gross margins and, for the first time in the history of IX Europe, positive full year EBITDA.

The Placing will provide further capital in order to continue to exploit the growth in the market for high-end datacentre services. In particular, the Group is planning to spend approximately £15 million for capital expenditure to fit out a substantial new-build datacentre site to the west of London. The Group has identified an appropriate location and is in the advanced stages of negotiations, although there is no guarantee that these will be successfully concluded. The Directors also intend to seek other value-enhancing acquisitions, either of individual datacentres or datacentre operators and are currently considering one such opportunity outside the UK. The Directors believe that this market consolidation could provide additional benefits to IX Europe in terms of synergy savings and consequent margin improvements.

2. History and background

IX Europe was founded by Guy Willner and Christophe de Buchet in 1998 after they identified the opportunity to create an independent provider of datacentre space for a variety of enterprise, Internet and telecoms customers. In early 1999, Sir Anthony Cleaver, previously Chairman of General Cable plc, agreed to join the Group as Chairman and also became an early stage co-investor in IX Europe along with Alan Tawil-Kummerman, a Swiss-based technology investor. IX Europe raised its first round funding in July 1999 from European Acquisition Capital, a private equity provider, in order to

secure the lease on its first datacentre site in the City of London, which subsequently opened later in that year. The Directors believe that the stable and experienced management team and the financial backing of European Acquisition Capital and BA Capital Partners Europe helped IX Europe to grow rapidly during the extremely difficult external telecommunications and technology market conditions from late 2000 to 2003. In particular, IX Europe developed a business model which concentrated on a differentiated quality of service proposition and a cost-conscious and phased approach to investment in capacity at existing and new datacentre sites.

Key highlights in the history of IX Europe include:

- 1999 – First datacentre opened in London City (London 1);
- 2000 – Datacentres opened in Frankfurt (Frankfurt 1), in Zurich (Zurich 1); in Paris and Heathrow (London 2);
- 2000 – ISO9001:2000 accreditation achieved for the first time;
- 2001 – Datacentres opened in Düsseldorf and Zurich (Zurich 2);
- 2002 – Number 1 Sunday Times techTrack 100; won Best Co-location provider award from ISPA; signed 200th customer;
- 2003 – Number 25 Sunday Times techTrack 100;
- 2004 – Acquisition of Geneva datacentre;
- 2004 – Karen Bach appointed as Chief Financial Officer;
- 2005 – Acquisition of datacentres in West London (London 3) and Frankfurt (Frankfurt 2) and acquisition of GIC, a provider of business continuity services, in Germany; and
- 2005 – IX Europe achieves positive full year EBITDA for the first time.

3. Key strengths

The Directors believe that the Group has a number of attributes which, collectively, differentiate it in the marketplace and provide investors with a high degree of financial visibility. These include the following:

- it is one of Europe's largest and fastest growing datacentre outsourcers;
- it currently operates 10 datacentres in four European countries (the UK, Germany, France and Switzerland). This provides IX Europe with access to more than 59 per cent. of the overall European IT services market and also offers exposure to the different stages of maturity of each of these markets. The Directors believe that certain other European countries, including France and Germany, will follow the UK and Switzerland in terms of increasing levels of customer demand. As a result, the Group is well placed to exploit future market growth in such countries;
- IX Europe's datacentres are all at different stages in their occupancy profiles and, while some of the datacentres are operating at close to full capacity, a number have the potential to expand further;
- the Group benefits from a strong management team with a seven year track record: five of the directors of IX Europe (Guy Willner, Christophe de Buchet, Sir Anthony Cleaver, Richard Mead and Erick Rinner) have been with, and played key roles in the development of, IX Europe since its operational launch in 1999. In addition, Karen Bach joined the Group from EDS, the IT outsourcer, in June 2004. Alongside the current executive management team, there are several senior IX Europe managers who have also worked for the Group throughout its development;
- both European Acquisition Capital and BA Capital Partners Europe have continued to support IX Europe financially and have committed not to sell shares in IX Europe at Admission and for the following 12 months;
- the Directors believe that IX Europe provides high quality customer service, which includes offering 99.999 per cent. service level agreements. This quality of service has been recognised since 2000 with the ISO9001:2000 accreditation;

- a customer base which comprises over 400 enterprise, Internet and telecoms companies. Typically these customers are large organisations seeking co-location space, dedicated suites, network services and technical support. The customer base includes many well-known enterprises, including Merrill Lynch, Capgemini, AVIS and AOL;
- the European datacentre market is growing and recent market trends have remained positive, including strong demand for datacentre space from enterprise customers which the Directors believe has been driven by the continued increase in broadband Internet penetration in European markets, the trend towards outsourcing by large enterprises and increased financial services and other regulation;
- the Group has a proven cash generative model for its individual datacentres. Once a datacentre is established, the overhead costs remain relatively fixed at both a datacentre and country level, with the consequent result that EBITDA margins can be improved substantially with the growth in revenue. The Directors believe that the success of the Group's longest established datacentres can be replicated with new sites in the future; and
- approximately 85 per cent. of total Group revenue in 2005 was recurring revenue from long term customer contracts, which are typically one to five years. The Group has experienced a low churn rate of approximately 3 per cent. during 2005.

4. The European datacentre market

The European datacentre market is continuing to experience strong revenue growth as it matures and as available capacity reduces. The revenues in 16 major European markets surveyed by Broadgroup in 2005 are expected to more than double to €745 million from 31 December 2003 to 31 of December 2007 with revenue growth over this period being estimated to grow by more than 20 per cent. per annum in each of the years ended 31 December 2005, 2006 and 2007. A number of market commentators, such as CB Richard Ellis, have highlighted a recent and continuing tightening in the supply of new European datacentre capacity. The Directors believe that both recent and forecasted market trends are supported by the Group's own current experience.

History of the European datacentre market

The European datacentre market emerged in the mid 1990s following the rapid growth in the competitive telecoms and Internet service provider markets. In the first phase of growth from the mid to late 1990s, datacentres were predominantly marketed as co-location space for telecommunications and Internet companies that were seeking to house switching equipment and as a way to provide easy access to interconnection facilities with other operators.

In the late 1990s the market for Internet-based business models grew significantly and many companies sought datacentre space to house equipment in order to provide web-hosting capacity and online application services. Given a strong supply of financing for such services in the period from 1998 to 2001, many start-up companies, including IX Europe, opened new datacentre space in order to meet the anticipated strong demand for capacity. In addition, many telecommunications companies also built datacentres in key European cities in order to provide value-added services to their enterprise customers. During the extremely difficult telecommunications and technology market conditions from late 2000 to 2003, several of these datacentre providers lost their projected customer base and these and other businesses were consequently forced to exit the market for the provision of these services. A consolidation phase followed, where capacity was either removed from the market or was acquired by independent datacentre operators.

In the most recent phase of market development, from circa 2003 onwards the demand for datacentre capacity across Europe has begun to increase substantially. This has been typically driven by the demand for hosting space from a variety of enterprise and Internet customers.

Market Drivers

Demand for datacentre capacity has increased for a number of reasons, including the following:

- financial services: large financial services companies such as banks and insurance businesses are increasingly seeking larger and more resilient datacentre facilities to provide primary hosting, business continuity and disaster recovery services. This trend has been fuelled by recent banking regulation, including the Basel II Capital Accord and the US Sarbanes-Oxley Act 2002, both of which require financial services companies to provide back-up facilities in remote locations

rather than physically alongside primary hosting capacity. The result has been the growth of alternative remote datacentre locations away from the existing historical hubs, for example the trend towards siting capacity to the west of London rather than in Docklands;

- business continuity and disaster recovery: in addition to the demands of specific regulation, the boards of many enterprises are making investments in closely monitoring, assessing and upgrading their security, resilience, back-up and disaster recovery capabilities;
- the Internet: broadband penetration continues to grow across Europe. Broadband penetration overtook narrowband penetration in several major European markets (for example the UK) in 2005 and is widely forecast to grow further for at least the next couple of years. In addition, broadband network speeds have typically increased from 500 kilobits per second to 2 megabits per second or more. The result has been the combination of increasingly sophisticated and bandwidth-hungry Internet applications for residential and business customers and, in addition, the increasing use of the Internet for services such as retailing, interactive media, gambling, gaming and business services; and
- enterprise outsourcing and multi-sourcing: the Directors believe that enterprise customers have sought to outsource datacentre requirements to third parties in order both to reduce their initial capital investment and increase the quality of their IT infrastructure. The experience of the Directors is that enterprises are also increasingly seeking to “multi-source” from a variety of suppliers, including for datacentre capacity, in order to secure the highest quality standards and service level agreements.

Pricing trends

The Directors of IX Europe believe that the increasing demand for datacentre services combined with the reduction in available capacity is having a positive impact on industry pricing trends. The combination of typically long term customer contracts and a lack of price deflation have, in the view of the Directors, created a positive outlook for the datacentre services market.

Principal competitors

The overall market for larger European datacentre sites can be split into the following broad categories:

- Multi-site independent operators: these include the largest datacentre operators such as IX Europe, Redbus/Telecity, Global Switch and InterXion;
- Single site operators: the operators of single site datacentres continue to occupy a significant segment of the market;
- Telecoms operators: a variety of telecoms operators continue to own and operate datacentres. These include incumbent operators in most European markets and also alternative carriers which have either built datacentre capacity, such as COLT Telecom plc, or have acquired datacentres or companies with datacentre capacity. For example, in 2004 the UK subsidiary of Telstra acquired PSINet (UK) Limited, including a substantial datacentre facility in London Docklands; and
- Diversified IT Services companies: this category includes IT outsourcers such as EDS, Inc. and IBM Corporation who provide datacentre services from in-house facilities as part of a much broader package of outsourced IT provision.

Whereas telecoms operators and IT outsourcers may be competitors in some markets, some outsource a proportion of their datacentre requirements and many are existing customers of IX Europe.

5. Customer proposition

The Group provides customers with an independent, outsourced, datacentre solution which focuses on high quality customer service. The Group offers customers substantial cost benefits when compared with the initial capital investment required to establish and fit out their own, in-house, datacentre space. Once signed up, customers can take advantage of IX Europe’s proven reputation for service quality, which includes 99.999 per cent. service level agreements (equivalent to a maximum of 5 minutes and 23 seconds of “down-time”, planned or unplanned, in any twelve month period), and its ISO 9001:2000 accreditation. A key advantage for customers is IX Europe’s neutrality from any existing relationships with incumbent telecoms or IT services providers, thus providing increased choice and flexibility. Within a datacentre, customers can provision anything from a single rack to a substantial co-location suite.

Services provided

IX Europe provides customers with a range of services, including:

<i>Service</i>	<i>Description</i>	<i>Benefits</i>
<i>IX FastRack: Co-location space</i>	Provides rack space in which customers can locate their IT equipment within a shared co-location area	Speed to market and flexibility to scale up capacity on demand
<i>IX Business Suite: Dedicated suites</i>	Provides a customer-built private area in which customers can typically locate tens to hundreds of racks of their IT equipment	Privacy, enhanced security, and ability to design space to suit customer requirements
<i>IX Connect: Network services</i>	Provides a range of network services from installation and management of cable connections to provision of LAN segments between IX Europe datacentres and connections to internet exchanges	Ability to reduce connectivity costs, increased reliability and ability to connect to other customers within the datacentre
<i>IX Support: Technical support</i>	Use of IX Europe-trained personnel to perform a range of services such as back-up tape changing, re-booting and checking alarms on equipment	Speedier response times and reduced support costs
<i>IXBCS*: Business continuity services</i>	Provision of datacentre capacity and workplace recovery suites as part of a company's disaster recovery plan	Improved regulatory compliance and financial benefits over in-house provisioning

* Not currently available in all countries.

IX Europe datacentres operate with a number of sophisticated features, which vary by datacentre, including the following:

- Security: access to IX Europe datacentres is strictly controlled at all times with features such as internal and external CCTV monitoring and biometric access control. Many enterprise customers take advantage of the security features to use IX Europe datacentres to deliver key strategic IT services and applications;
- Proprietary cabling: each datacentre has a full trunk cable network providing rapid deployment of connectivity between locations within the building. In addition, each datacentre has multiple fibre connections to major telecoms providers, offering both IX Europe and its customers resilience and choice;
- Manned control room: major systems within the datacentre are monitored 24x7 and are controlled from manned network operations centres which are linked to other IX Europe datacentres through a virtual private data network;
- Uninterruptible power supply: each datacentre has a substantial power supply infrastructure. The uninterruptible power supply ensures that if the mains supply fails at any time, a series of generators are designed to step in with no interruption to power. The generators are fuelled to run for up to 36 hours non-stop and the equipment is regularly tested to simulate a power "outage";
- Fire protection: three-stage fire detection systems which in some cases includes a sophisticated nitrogen charged "cold steam" system which avoids the need for traditional gas-based systems that can cause environmental hazards if utilised; and
- Optimum environmental control: temperature and humidity are continuously monitored within the datacentres and are maintained within strict limits.

6. Customer information

IX Europe provides services to over 400 customers in its ten datacentre locations. Typically, customers are larger enterprise and Internet organisations or telecoms operators and are signed up on a multi-year basis, typically ranging from one to five years. IX Europe divides its business into three customer categories:

- Enterprise: within this market customers are targeted either directly or indirectly through outsourcing partners. Sectors of particular customer concentration are financial services (Merrill Lynch; Global Equities; ALP Invest) and IT services (Capgemini; Hewlett Packard; Fujitsu Siemens);
- Internet: this category comprises a variety of Internet businesses including Google (a member of the IX Europe internet exchange in Zurich), Internet service providers (AOL) and hosting and value added service providers (Attenda, Rackspace and Black Spider Technologies); and
- Telecoms: this category comprises more than 50 telecommunications companies which typically use IX Europe for equipment co-location space and in some cases connectivity to other IX Europe datacentre customers. Telecommunications customers include: BT Group, France Telecom, ntl/Telewest, Level 3 Communications, COLT Telecom, Cable & Wireless, Tiscali, MCI and AT&T.

7. Datacentre facilities

IX Europe's ten datacentres are located in four European countries: the UK, Germany, Switzerland and France. In all cases, apart from the recent acquisition of Frankfurt 2, the datacentres are built within premises which were acquired by the Group on a long term leasehold basis. The Frankfurt 2 campus has been acquired on a freehold basis.

The current portfolio of IX Europe datacentres comprises:

- London 1: located in the City of London and opened in 1999 with approximately 600 sqm of net datacentre space;*
- London 2: fitted out by IX Europe in a newly built datacentre located close to Heathrow Airport. Opened in 2000 with approximately 4,000 sqm of net datacentre space;*
- London 3: located at Park Royal in West London and was operational when acquired in 2005 with approximately 400 sqm of net datacentre space.* The building is currently being fitted out to provide an additional 2,300 sqm of net space on two floors;
- Düsseldorf: opened in 2001 with approximately 2,500 sqm of net datacentre space* with an additional approximately 400 sqm of net datacentre space planned;
- Frankfurt 1: located in the city centre and was acquired in 2000. It has approximately 1,400 sqm of net datacentre space*;
- Frankfurt 2: freehold datacentre campus located in North Frankfurt and acquired in 2005 for £4.8 million. It has approximately 3,500 sqm of net datacentre space* with an additional approximately 2,900 sqm of net datacentre space planned;
- Zurich 1: located in Zurich Technopark. Acquired in 2000 and has approximately 400 sqm of net datacentre space* and houses the dominant Swiss Internet exchange;
- Zurich 2: located in Zurich Technopark. Opened in 2001 and has approximately 400 sqm of net datacentre space* with an additional approximately 800 sqm of net datacentre space planned;
- Geneva: located in the city centre. Acquired in 2004 and has approximately 2,000 sqm of net datacentre space*; and
- Paris: located north of Paris. Opened in 2000 and has approximately 1,500 sqm of net datacentre space* with an additional approximately 1,400 sqm of net datacentre space planned.

* As at 31 December 2005

Further information on the occupancy rates and financial performance of each datacentre is contained in the financial performance section below.

8. Datacentre business model

New IX Europe datacentre

IX Europe's business model requires that an investment in a new location is only undertaken after detailed market analysis and on the basis of a clear indication of substantial customer demand. Once the location has been chosen, investment is undertaken in phases in order to link capital expenditure with customer demand. Each datacentre is provided with financial targets based on previous experience and also local country and industry sector characteristics. The Directors believe that the high initial investment for each datacentre, combined with the difficulty in finding suitable locations, helps to create a substantial barrier to entry for new entrants to the market.

The business model for each datacentre is subject to specific criteria which include the following:

- Location selection: this process is particularly rigorous in order to provide future customers with sufficient flexibility in terms of the number of available telecoms connections to different operators. Typically the site will have access to direct fibre links from at least three telecoms operators. In addition, each site must have access to sufficient electricity from both the national grid and electricity supply companies. The absence of either sufficient telecoms connections or power supply would lead to substantial additional capital investment.
- Front-end loaded infrastructure spend: each datacentre has a substantial capital expenditure requirement in order to fit out the facility to IX Europe's normal operating standards. This investment includes: electricity supply connection; major capital equipment such as generators, uninterruptible power supply systems, cooling pumps, air handling units; fire detection and suppression systems; connectivity and cabling equipment; the fit-out of floors and walls; and a complete secure access system;
- Pre-selling: as the datacentre becomes ready for customer occupation, a pre-selling process takes place in order to identify and take advantage of customer demand. This process enables IX Europe to reduce occupancy lead times;
- Datacentre capacity: this is marketed in a variety of sizes, ranging from individual equipment racks in a co-location suite to large dedicated suites. IX Europe seeks to up-sell value added services to customers, including a full suite of technical support, monitoring and maintenance services;
- Pricing model: the customer pricing model comprises a recurring fee, calculated typically on the number of racks or rack-equivalents to be installed, and a one off installation charge. Variations exist depending on the level of power (and corresponding cooling capacity) required per rack. In addition, utility power cost variations are increasingly passed on to customers. Additional services, such as connectivity and monitoring, are also generally charged on a recurring basis.

London 2 case study

The operational and financial performance of the London 2 datacentre demonstrates the successful implementation of the IX Europe datacentre business model. Opened in three phases from 2000, London 2 currently remains one of the largest IX Europe datacentre in terms of occupied net datacentre space, at approximately 4,000 square metres. The centre began acquiring customers during a difficult period of collapsing telecoms and technology sector sentiment. Despite this, after less than six years of operation the datacentre has reached close to full capacity, at 94 per cent. occupancy of net datacentre space at 31 December 2005. Over this period IX Europe has invested £9.6 million on capital investment at London 2. Recent financial performance has been strong as the high occupancy rates against a relatively fixed cost base impacted on cash generation. The datacentre was EBITDA positive after eighteen months of operations and achieved EBITDA of £4.3 million in 2005 (before country and group central overhead costs), on revenues of £7.8 million. As a result, London 2 has achieved payback in its sixth year of an estimated life cycle of at least twenty years. In the process, the datacentre achieved an internal rate of return of more than 25 per cent over 15 years.

The table below shows the progression of EBITDA and cumulative cash flows for London 2 on a quarterly basis since its opening:

<i>EBITDA</i>						
<i>£000</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
Quarter 1	(196)	(270)	105	493	716	949
Quarter 2	(285)	(50)	158	462	659	1,137
Quarter 3	(370)	6	293	459	785	1,072
Quarter 4	(170)	228	511	702	829	1,197

Note: Quarter 1 2000 refers to the first period from when London 2 commenced operations and does not refer to a calendar quarter

<i>Cumulative Cash</i>						
<i>£000</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
Quarter 1	(4,162)	(7,332)	(9,067)	(7,749)	(5,486)	(2,427)
Quarter 2	(4,801)	(7,441)	(8,944)	(7,305)	(4,840)	(1,858)
Quarter 3	(5,712)	(9,140)	(8,676)	(6,853)	(4,062)	(877)
Quarter 4	(6,977)	(9,156)	(8,197)	(6,154)	(3,255)	(80)

Note: Quarter 1 2000 refers to the first period from when London 2 commenced operations and does not refer to a calendar quarter

The Directors believe that the outlook for new datacentres remains encouraging and that such datacentres (for example, London 3), could achieve payback and reach target EBITDA margins even more quickly than London 2.

London 4 development plans

IX Europe is seeking to open a further, large, datacentre in the West London area in response to high market demand evidenced by the encouraging customer demand for the additional capacity currently being fitted out at London 3. At 31 December 2005, 30 per cent. of total capacity due to be constructed at London 3 had already been contracted, while actual available net datacentre space contracted had reached 100 per cent. In addition, the impact of industry trends such as financial services regulation have made West London an increasingly sought after location for datacentre space.

IX Europe has identified a new datacentre location to the west of London and is in advanced stages of negotiations. If negotiations are successful, this would involve the long lease of a new build datacentre and the spending of approximately £15 million for capital expenditure to fit out the building to be phased in line with customer demand. The first customers are expected to be provisioned during 2007. The Directors of IX Europe are confident that the lease for London 4 will be signed shortly after Admission, however, there can be no guarantee that the deal will be concluded and should the lease not be signed, IX Europe intends to identify another similar sized project.

9. Financial information

Financial model

A key attribute of the IX Europe financial model is the cash generation capability of each datacentre, resulting from increasing occupancy levels with a relatively fixed overhead cost base and heavily front-end loaded capital expenditure. After the initial investment phase to fit out each datacentre, future capital expenditure is largely phased with revenue growth. These operational gearing characteristics have resulted in increasing EBITDA margins for individual datacentres.

The IX Europe financial model provides a high degree of long term visibility through its contracted revenue base with over 85 per cent. of total revenue recurring. Customers typically sign up for contracts of between one and five years and exhibit low churn. Churn during the year ended 31 December 2005 was only 3 per cent. of contracted Monthly Recurring Revenue. At 31 December 2005, IX Europe had contracted Monthly Recurring Revenue of £2.0 million and total minimum contracted revenue for 2006 of £18.8 million.

IX Europe has a substantial fixed asset base with tangible fixed assets of £50.5 million (cost) and £27.6 million (net book value).

Datacentre financial breakdown

The following table shows key financial performance and statistics for each datacentre:

Datacentre	IX Europe datacentres as at 1 January 2005									New IX Europe datacentres in 2005		Total
	London 1	London 2	Paris 1	Frankfurt 1	Düsseldorf 1	Zurich 1	Zurich 2	Geneva 1	London 3	Frankfurt 2		
Total net space (k sqm) ¹	0.6	4.0	1.5	1.4	2.5	0.4	0.4	2.0	0.4	3.5	16.8	
New space planned (k sqm) ¹	0.0	0.0	1.4	0.0	0.4	0.0	0.8	0.0	2.3	2.9	7.9	
Contracted occupancy (%) ¹	83	94	70	65	80	99	81	21	100	100	79	
2005 total revenue (£m)	1.4	7.8	1.6	2.7	3.7	1.9	0.9	1.3	0.0	1.0	22.5	
2005 EBITDA (£m)	0.5	4.3	0.3	0.6	0.9	1.3	0.6	0.1	(0.0)	0.1	8.6	
Percentage	33	55	17	22	24	71	60	6	(90)	8	38	
										Central costs	(6.8)	
										Group underlying EBITDA	1.8	

1. As at 31 December 2005

The Directors believe the table demonstrates the following financial strengths:

- High occupancy levels: established sites have high occupancy levels;
- Expansion opportunities: 7,900 sqm of additional net datacentre space can be fitted out within the existing datacentre portfolio;
- Balanced portfolio: IX Europe owns both cash generative datacentres with high levels of occupancy as well as sites with expansion opportunities;
- High margins: EBITDA margins for the more established datacentres are well in excess of 50 per cent. and reached 71 per cent. in the case of Zurich 1 in 2005;
- EBITDA: in 2005 all datacentres with the exception of the new London 3 site were EBITDA positive. Total EBITDA generated by the ten datacentres before country costs and central costs was £8.6m;
- Fixed cost base: the current central administrative infrastructure should be sufficient to support a larger business. EBITDA after central costs (before exceptional costs), which reached £1.8 million in 2005, should therefore be able to improve at a faster rate than the underlying EBITDA contribution before central overhead costs moving forward.

Key performance indicators

IX Europe intends to provide Key Performance Indicators in order to reflect its financial performance on an ongoing basis. It is envisaged that these KPIs will be made available at both the interim and preliminary results for the Group. The Directors believe that the following KPIs provide a comprehensive insight into the financial performance of the Group:

- Contracted Monthly Recurring Revenue: this KPI measures the price paid each month by customers for space or services contracted on an ongoing basis, excluding one-off installation and other non-recurring revenues. At 31 December 2005, this stood at £2.0 million;
- Minimum contracted revenue: this KPI measures the minimum revenue which is contracted for the following calendar year (assuming no contract renewals). This figure stood at £18.8 million at the end of 2005;
- Win-loss analysis: This KPI shows the amount of recurring revenue won and lost in each period. For 2005, IX Europe lost £43,000 of Monthly Recurring Revenue, equivalent to churn of only 3 per cent. of total Monthly Recurring Revenue. In contrast, approximately £334,000 of Monthly Recurring Revenue was won from new customers and approximately £401,000 from existing customers during the same period;
- The percentage of revenue growth won from existing customers: this KPI shows the percentage of revenue growth won from existing customers. The win-loss analysis shows that in 2005 more than 50 per cent. of Monthly Recurring Revenue growth was from existing customers; and

- Contracted occupancy: this KPI measures the total space contracted for occupancy use compared with the total amount of available net datacentre space. This figure stood at 79 per cent. (of the total approximate 16,800 square metres of net datacentre space) at 31 December 2005.

Financial results for 2005

IX Europe significantly improved financial performance in 2005 as a result of strong revenue growth leveraging a fixed cost base.

IX Europe has adopted IFRS accounting policies for its financial results for the year to 31 December 2005 and its prior years have been restated on a consistent basis.

The 2005 results including profit and loss account, cash flow analysis and balance sheet are provided in Section B of Part 3 below. Highlights include:

- revenue continued to grow strongly in 2005 to £22.5 million increasing by 45 per cent. versus 2004 (£15.5 million);
- of the £7.0 million year-on-year increase in revenue, £6.0 million was generated from the existing datacentres (organic growth rate of 39 per cent.) and £1.0 million from the newly acquired datacentres;
- the revenue growth of 45 per cent marked the sixth consecutive year of growth over 30 per cent.;
- gross profit rose by 59 per cent., with gross margins rising from 35.6 per cent. in 2003 to 40.6 per cent. in 2004, then rising to 44.4 per cent. in 2005;
- the underlying EBITDA (excluding IFRS adjustments and one-off items) was £1.8 million versus £0.75 million EBITDA loss in 2004. Therefore, 2005 was the first full year of positive EBITDA (underlying) for the Group;
- the Group generated £1.1 million cash from the operating business in 2005 post one-off costs of £0.7 million;
- the Group invested net cash of £10.0 million in 2005, including the purchase of a £4.8 million freehold in Germany; and
- the Group raised bank debt of £18.6 million in 2005, of which £12.0 million was drawn as at 31 December 2005.

10. Current trading and prospects

The Directors of IX Europe remain encouraged by recent trading of the Group since 31 December 2005 and confident about the future financial prospects for the business.

In particular, progress with the London 3 datacentre at Park Royal is encouraging, with strong customer interest in the proposition, resulting in 30 per cent. of the planned net datacentre space being already under contract. This demonstrates the strength of customer demand in West London. Progress with the Frankfurt 2 datacentre, which was acquired last year, has been similarly encouraging and has recently included the signing of a substantial customer contract with a major international Internet search engine company. In addition to this, the strong demand trends for the existing London datacentres have encouraged the Board to progress the negotiations for London 4.

The Group's new business pipeline is strong and recently signed contracts include a major French bank operating in the UK, two major Internet companies, Belgacom (the Belgium incumbent telecoms provider) and a major European outsourcer. IX Europe continues to focus on addressing the needs of the enterprise and Internet segments in order to take full advantage of market growth.

11. Officers, Directors and key employees

The Directors believe that IX Europe benefits from a strong and stable executive and senior management team. Mr Willner and Mr de Buchet, the co-founders, have remained with the Group as CEO and COO respectively from the outset. Karen Bach, Chief Financial Officer, moved to IX Europe from a senior role as Finance Director of EDS France in 2004. In addition, the three non-Executive Directors, Sir Anthony Cleaver, Richard Mead and Erick Rinner, have all been with the Group from, or from shortly after, its foundation.

The board of IX Europe comprises the following directors:

Guy de Rohan Willner – Co-founder and Chief Executive Officer (42)

Guy has over ten years of leadership experience in high-tech companies and co-founded the company in 1998. Prior to founding IXEurope, Guy Willner worked for Compagnie Generale des Eaux (now Vivendi Group) between 1992 and 1998 both in the UK and in Hungary to establish a telecommunications operator, culminating in a \$210 million EBRD funding. Prior to 1992 he began his career with Philips NV in Paris working in CDROM, Smart Card and Telematics technologies. Guy holds a BSc Hons Engineering at Oxford Brookes University.

Christophe de Buchet – Co-founder and Chief Operating Officer (41)

Christophe has 15 years general management experience in international IT markets. In 1990 he founded VoiceQuest, a specialist distributor of speech recognition, networking, memory and storage devices in the UK. In 1992 VoiceQuest was acquired by Austin Ventures-funded TechWorks Inc, headquartered in Texas. As European Vice-President of TechWorks he established pan-European sales and procurement channels, and a manufacturing and logistics centre in Ireland. In 1998, TechWorks Inc was acquired by Melco Inc, a manufacturer of computer peripherals listed on the first sections of the Tokyo and Nagoya stock exchanges. Christophe stayed as European Vice-President until he left to establish IX Europe with Guy Willner in 1998.

Karen Bach – Chief Financial Officer (36)

Karen joined as Chief Financial Officer in June 2004. Karen has a strong industry background, having been Finance Director of EDS France in Paris for two years, and prior to that, having held a number of managerial and financial roles at MCI (Worldcom) with responsibilities covering Europe and Asia. She has also worked for General Motors and General Accident after qualifying at Ernst & Young.

Sir Anthony Cleaver – Non-Executive Chairman (67)

Sir Anthony was appointed Non-Executive Chairman in July 1999. He spent the majority of his career with IBM, where he served as European Vice-President of Marketing and as General Manager, Chief Executive and Chairman and Chief Executive in the United Kingdom. Sir Anthony has also served as Chairman of the United Kingdom Atomic Energy authority, as Chairman of AEA Technology plc and Chairman of General Cable plc. He currently serves as Chairman of the Medical Research Council, the Nuclear Decommissioning Authority, SThree plc, Working Links (Employment) Ltd. and the Royal College of Music, as a Director of the Links Foundation and as a Non-Executive Director of Lockheed Martin UK Limited. Sir Anthony holds a degree in *Literae Humaniores* from Oxford and was President of the Chartered Management Institute.

Richard Mead – Non-Executive Director (58)

Richard Mead was appointed as a Non-Executive Director in July 1999. He is an independent consultant and has held a number of appointments as Non-Executive Chairman or Director. Quoted companies on whose boards he has served have included Tom Cobleigh, HW Group and BCH, and he is currently Chairman of Stonemartin plc, the AIM-listed serviced office company. After graduating, Richard qualified as a Chartered Accountant with a predecessor firm of Ernst & Young. He spent twelve years as an investment banker, latterly with CSFB, and then returned to Ernst & Young for nine years as National Director of UK Corporate Finance, four of them also as Chairman of European Corporate Finance.

Erick Rinner – Non-Executive Director (38)

Erick was appointed as a Non-Executive Director in July 1999. He has been a Partner at European Acquisition Capital since December 1998 where he is responsible for finding and executing private equity investments. He joined European Acquisition Capital from Société Générale's New York Investment Banking Division, where he spent eight years in the Leveraged and Structured Finance Group, including four years in London. He received an MBA (Award for Excellence) from Columbia University and is also a graduate of Nantes Graduate School of Management (France).

IX Europe intends to appoint a further Non-Executive Director to the board at some point in the near future and is currently identifying suitable candidates.

Key personnel

Many other key managerial personnel at IX Europe have also been with the business since its foundation. They include:

Michael Winterson – VP International Sales and Marketing

Michael joined IX Europe in June 2000 and manages IX Europe's brand development, new media projects, new product launches and communications strategy in addition to providing company wide sales strategy support. Michael is also acting General Manager for France. Michael joined IX Europe from a 10 year career in the IT industry, previously working as Sales and Marketing director of TechWorks.

Andy Castle – VP IT Services

Andy joined IX Europe in January 2000, having previously been International Server Manager at MCI Worldcom. Andy has played a prominent role in the roll-out and support of managed services in IX Europe's datacentres. Recently he has been involved in implementing value-added services.

Frank Hassett – VP Infrastructure

Frank joined IX Europe in May 1999 and is responsible for strategy and implementation of facilities management, project management and datacentre performance. His previous experience lies in the construction industry where he was involved in new-build to fast track fit-out projects.

Kevin Martin – VP Customer Operations

Kevin joined IX Europe in March 2000 and is responsible for customer service levels, ensuring robust operations and providing support to account management. Prior to this Kevin was involved with designing and building customer-orientated systems at MCI Worldcom Limited.

Russell Poole – General Manager, UK

Russell joined IX Europe as UK General Manager in April 2000 and manages the London 1, 2 and 3 datacentres. Previously Russell was a director of MessageNet Ltd (an Internet security and messaging security provider) and national sales manager at General Telecom, the business telecoms division of General Cable plc.

Frits van der Graaff – General Manager, Switzerland

Frits joined IX Europe in July 2000 and is responsible for the Group's Zurich operations. Previously he held the position of Project Manager with KLM Royal Dutch Airlines which involved the build-out of a 29,000 sqm KLM freight building.

Harro Beusker – General Manager, Germany

Harro joined IX Europe in September 2000 where is he responsible for the Group's German operations. Previous roles in IX Europe include VP of Operations and Rollout. Harro was previously Chief Operating Officer at InterXion and head of IT at KPN.

Management of a country is, wherever possible, delegated to a General Manager in each country who is better able to liaise with local enterprise customers. Each country general manager is designated with responsibility over his or her profit and loss account for that territory.

12. Dividend policy

IX Europe is a fast growing business which has historically invested and continues to invest in order to maximise future growth opportunities. The Directors do not currently consider it appropriate to pay a dividend and any future dividend payment will require the consent of CIT with whom IX Europe has debt facilities. Further information on these debt facilities is set out in paragraph 13 of Part 5 of this document.

13. Use of proceeds and reasons for the Placing and Admission

The Group intends to raise approximately £8.5 million (after expenses) for the following specific uses:

- Repayment of the £5.0 million bridging loan from CIT which was provided to fund the acquisition of the Frankfurt 2 freehold;
- Repayment of deep discounted bonds of £1.9 million held by European Acquisition Capital and BA Capital Partners Europe; and

- Assuming the successful completion of negotiations, a contribution to the fit out of London 4, which is estimated at approximately £15 million in total, to be phased in line with customer demand (the balance is expected to be funded through additional debt facilities and cash resources of the business).

In addition to growth through new build and the expansion of existing datacentres, IX Europe will continue to seek to identify acquisition opportunities. These could include individual datacentres or datacentre operators.

14. Significant shareholders

On Admission, the EAC Investors will hold, in total, 56,757,030 Existing Ordinary Shares and the BA Investor will hold 58,414,997 Existing Ordinary Shares which, immediately following Admission, will represent approximately 33 per cent. and 34 per cent. respectively of the issued share capital of the Company.

At the date of this document, the EAC Investors and the BA Investor are parties to an investment agreement relating to their interests in shares in, and the management of, IX Europe. Upon Admission, this agreement will terminate. The EAC Investors and the BA Investor have entered into a relationship agreement with the Company, conditional on Admission, which includes provisions that, for so long as each of the EAC Investors and the BA Investor holds ordinary shares representing not less than 15 per cent. of the company's issued share capital, they will each:

- conduct all transactions and relationships with the Company on an arm's length and normal commercial basis;
- not exercise any votes exercisable by them or their associates (as such term is defined in the agreement) in general meetings of the Company in such a way so as to preclude or inhibit the Company from carrying on its business independently of the EAC Investors and the BA Investor and their respective associates;
- abstain from voting on any transaction or other arrangement which would constitute a transaction with a related party for the purposes of the AIM Rules; and
- exercise the voting rights attached to their Ordinary Shares to ensure (to the extent that they are able by the exercise of such voting rights) that a majority of the directors (executive and non-executive) and of the non-executive directors are free from any business or other relationship with the EAC Investors or the BA Investor or their respective associates which would in the opinion of the Directors (excluding any director appointed by European Acquisition Capital) compromise the ability of a majority of the Board to fulfil their respective duties to the Company independently.

The obligations on the EAC Investors and the BA Investor to use their respective reasonable endeavours to procure that their associates comply with the terms of the relationship agreement are limited to the exercise by them of any de facto control they have over a person or fund, any votes which are exercisable by them in general meetings of such associates, by exercising such influence as they may have over the directors of such associates or by exercising their rights over any associate who holds Ordinary Shares as a nominee for their benefit.

Each of the EAC Investors and the BA Investor has also agreed, under the relationship agreement, not to (and to procure any of its associates or any person or fund over whom they exercise sole discretion as to how such person's or fund's monies are invested not to) invest significantly in certain co-location businesses competing with the Group in the European Union for one year following Admission.

The relationship agreement provides that both the EAC Investors and the BA Investor respectively shall each be entitled to send a representative to attend and speak at, but not to vote at, any meetings of the board of the Company.

Save as described above in respect of certain of the obligations of the EAC Investors and the BA Investor, the relationship agreement remains in force in respect of the EAC Investors and the BA Investor respectively, in each case for so long as they each continue to exercise or control the exercise of 10 per cent. or more of the rights to vote at general meetings of the Company.

In addition, pursuant to Article 33 of the Company's Articles of Association, European Acquisition Capital is entitled to appoint a director to the Board for so long as the EAC Investors hold Ordinary Shares representing not less than 10 per cent. of the Company's issued share capital.

Further details of the relationship agreement and of the Articles of Association are contained in Part 5 of this document.

15. The Placing

By way of the Placing, the Company is proposing to raise approximately £10.0 million, before expenses, through the issue of 45,454,546 new Ordinary Shares to be issued pursuant to the Placing, representing approximately 26 per cent. of the issued share capital of the Company immediately following Admission.

Pursuant to the Placing, the New Ordinary Shares have been placed, conditional on Admission, with institutional investors in the United Kingdom at the Placing Price. The New Ordinary Shares to be issued pursuant to the Placing will be issued as fully paid and will, on issue, rank *pari passu* in all respects with the Existing Ordinary Shares already in issue at Admission.

Application has been made for the New Ordinary Shares to be admitted to AIM.

16. Lock-in agreements

Lock-in and orderly market deeds have been entered into by each of the EAC Investors, EAC Limited and the BA Investor in favour of the Company and Investec in relation to the Ordinary Shares held by each of them immediately following Admission. The terms of these agreements correspond to the lock-in arrangements accepted by the Directors (other than Erick Rinner) and the Separate Shareholders in the Placing Agreement (except that the relevant period for which the lock-in applies is 12 months under the lock-in and orderly market deeds). Certain other individuals have also entered into similar lock-in arrangements. Further details of these lock-in and orderly market deeds are set out in paragraph 12 of Part 5 of this document.

17. Corporate governance

The Directors recognise the value and importance of high standards of corporate governance and intend to observe the requirements of the Combined Code to the extent they consider appropriate in the light of the Group's size, stage of development and resources.

The Directors have an audit committee, remuneration committee and nomination committee, each with formally delegated duties and responsibilities. The audit committee determines the terms of engagement of the Group's auditors and will determine, in consultation with the Group's auditors, the scope of audits. It will receive and review reports from management and the Group's auditors relating to the interim and annual accounts and the accounting and internal control systems in use by the Group and has primary responsibility for maintaining the quality of internal controls and ensuring that, the financial performance of the Group is properly reported on. The audit committee will meet at least twice a year and will have unrestricted access to the Group's auditors. The remuneration committee will review the performance of the Executive Directors and will review the scale and structure of both the Executive Directors' and other key employees' future remuneration and the terms of their service agreements with due regard to the interests of shareholders. No Director will be permitted to participate in discussions or decisions concerning his own remuneration.

The Group will comply with Rule 21 of the AIM Rules regarding dealings in the Group's shares and will take all reasonable steps to ensure compliance by the Directors and applicable employees.

The nomination committee is comprised of Sir Anthony Cleaver (chairman), Richard Mead and Erick Rinner. The audit committee is comprised of Richard Mead (chairman), Sir Anthony Cleaver and Erick Rinner. The remuneration committee is comprised of Richard Mead (interim chairman), Sir Anthony Cleaver and Erick Rinner. Richard Mead is acting as interim chairman until the appointment of a new Non-Executive Director who will replace Mr Mead as chairman.

18. Taxation

Individual shareholders who are resident or ordinarily resident in the United Kingdom and who beneficially own their shares as investments, should be eligible for business or non-business asset taper relief for chargeable gains on disposals of their ordinary shares. The availability of business asset taper relief (which after a two-year holding period reduces the effective rate of capital gains tax for higher rate taxpayers to 10 per cent.) will depend (*inter alia*) on the Group being a holding Company of a trading company (as defined by the relevant legislation) for the relevant period of ownership of the Ordinary Shares. To the extent that Ordinary Shares do not constitute business assets at any time

during the relevant period of ownership, they will generally be considered non-business assets during such time.

Further information on United Kingdom taxation with regard to the Placing is set out in the paragraph entitled "Taxation" in paragraph 10 of Part 5 of this document. All information in relation to taxation in this document is intended only as a general guide to the current United Kingdom tax position. If you are in any doubt as to your own tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your own independent professional adviser immediately.

19. Share Option Scheme

The Directors believe that the success of the Group depends to a high degree on the future performance of the management team. The Directors also recognise the importance of ensuring that the key employees driving performance of the Group are incentivised and identify closely with the profitability of the Group.

Details of the Share Option Scheme are set out in paragraph 6 of Part 5 of this document.

20. Admission, settlement and dealings

Application has been made to the London Stock Exchange for all of the Ordinary Shares which have been issued and which are proposed to be issued under the Placing to be admitted to trading on AIM. It is expected that Admission will take place, and that dealings in the Ordinary Shares will commence, on 7 April 2006.

Application has been made for all the issued and to be issued Ordinary Shares to be admitted to CREST with effect from Admission and CRESTCo has agreed to such admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place through CREST, if the relevant shareholder(s) so wish.

PART 2

RISK FACTORS

Prior to making an investment decision in respect of the New Ordinary Shares, prospective investors should consider carefully all of the information within this document, including the following risk factors.

In addition to the other information contained in this document, the Directors believe the following risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all those associated with an investment in the Company. Additional risks and uncertainties not previously known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Company. In particular, the Group's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements. The risks listed are not set out in any particular order of priority.

If any of the following risks were to materialise, the Group's business, financial condition, results or future operations could be materially adversely affected. In such a case, the market price of the Ordinary Shares could decline and an investor may lose part or all of his investment. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Group and the information set out below does not purport to be an exhaustive summary of the risks affecting the Group.

An investment in the Ordinary Shares described in this document is speculative. Potential investors are accordingly advised to consult a person authorised for the purposes of the FSMA who specialises in advising on investments of this kind before making any investment decisions. Potential investors should therefore consider carefully whether investment in the Group is suitable for them, in light of the risk factors outlined below, their personal circumstances and the financial resources available to them.

1. Volatility of share price

The trading price of the Ordinary Shares may be subject to wide fluctuations in response to a number of events and factors, such as variations in operating results, announcements of technological innovations or new products and services by the Group or its competitors, changes in financial estimates and recommendations by securities analysts, the operating share price performance of other companies that investors may deem comparable to the Group and the general market perception of trends in the Group's markets. These fluctuations may adversely affect the trading price of the Ordinary Shares, regardless of the Group's performance.

2. Investment in AIM securities

Although the Group is applying for the admission of its share capital to trading on AIM, there can be no assurance that an active trading market for the Ordinary Shares will develop, or if developed, that it will be maintained. Investment in shares traded on AIM is perceived to involve a higher degree of risk and to be less liquid than investment in companies whose shares are listed on the Official List of the UK Listing Authority. An investment in Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of the Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Group. Investors may therefore realise less than, or lose all of, their investment.

3. Influence of significant shareholders

Upon completion of the Placing, the EAC Investors and the BA Investor will beneficially own approximately 67 per cent. of the Enlarged Share Capital of the Group. As a result, these shareholders, while not acting in concert, could exercise significant control over all matters requiring shareholder approval, which, amongst other things, could delay or prevent an outside party from acquiring or merging with the Group.

4. Share price effect of sales of Ordinary Shares

The market price of Ordinary Shares may decline significantly as a result of any sales of Ordinary Shares by certain shareholders following the expiry of the lock-in period (or otherwise), as detailed in this document, or the perception that these sales could occur.

5. Forward-looking statements

This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of IX Europe and certain plans and objectives of the Board with respect thereto. By their nature, forward-looking statements involve risk and uncertainty, because they relate to events and depend on circumstances that will occur in the future and the factors described in the context of such forward-looking statements in this document could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. Although the Board believe that the expectations reflected in such forward-looking statements are reasonable, the Board can give no assurance that such expectations will prove to have been correct.

6. Competition

The Group intends to continue to invest in developing market-leading services and datacentre capacity to meet the demands of its existing and new customers. However, the datacentre market is competitive and the Group may face significant competition from larger companies such as telecommunications operators, who are also key suppliers, or IT outsourcers which have greater capital resources. This may lead to a substantial increase in the supply of new datacentre capacity, with a corresponding impact on industry pricing and profit margins. There is no assurance that the Group will be able to compete successfully in such a marketplace in the future.

7. Technological change

The Group expects that new services and technologies applicable to the datacentre industry will continue to emerge and develop, and it is possible these new services and technologies may be superior to, or render obsolete or unmarketable, the technologies that the Group currently uses in its datacentres or the services which it currently offers to customers. The Group's future success will depend, in part, on its ability to develop and adapt to technological changes and evolving industry standards. If the Group is not able to keep pace with the technological developments in its industry, the use and competitiveness of the Group's datacentre offerings could decline, which would reduce the Group's revenues and income.

8. Project delay, cost overrun and slower revenue growth

There is always the potential for delay within a particular client project or datacentre build-out or for the estimated cost of completing such a project or build-out to be exceeded. The Directors believe that the Group has considerable experience of forecasting and managing project implementation timetables. However, any delay or cost overrun may have a direct impact on the timing of IX Europe's ability to recognise revenue and related profit. As such, anticipated revenue and profit in a particular period could be adversely affected by factors outside of IX Europe's control.

9. Service dependence and interruptions

The Group relies on third parties to provide certain elements of its datacentre operations. These third parties include utility electricity suppliers and telecommunications network operators. The failure by such third parties to perform their services (whether satisfactorily or at all) could result in the Group's failure to provide its services in accordance with its contracts, thus potentially exposing the Group to liability with its customers.

In addition, the Group's services depend on the efficient and uninterrupted operations of its network control and atmospheric control systems, as well as of the electricity supply and telecoms networks. Nevertheless, any such systems and operations could be exposed to damage or interruption from fire, natural disaster, power loss, telecommunications failure, unauthorised entry and computer viruses. If any such systems or operations fail as a result of, for example, a natural disaster, operational disruption, terrorism or any other reason, the failure could interrupt the Group's services and adversely affect the perception of its brand reliability and accordingly, its revenues and income. In certain circumstances it could also result in the Group's failure to provide its services in accordance with its contracts, thus potentially exposing the Group to liability with its customers.

Although the Directors believe that the Group's property and business interruption insurance is appropriate and in line with industry practice, there can be no guarantee that such insurance will be adequate to compensate the Group for all losses and failures that may occur

10. Risks related to future acquisitions

The Group may acquire other businesses if appropriate opportunities become available. Any future acquisition may significantly affect the Group's results or operations. Further, any new acquisitions will require the attentions of the Group's management and may require the diversion of other resources. No assurance can be given that the Group will be able to manage future acquisitions profitably or to integrate such acquisitions successfully without substantial costs, delays or other problems. In addition, no assurance can be given that any companies or businesses acquired will achieve levels of profitability or revenues that will justify the investment made by the Company.

11. Future capital requirements

The Group's business model relies on its ability both to increase net datacentre space at existing sites and to source locations to construct new datacentres. This involves significant amounts of capital to complete these capital expenditures which may require the Group to increase its debt or to issue new equity which may be dilutive. If the Group is unable to raise the necessary capital this may have an adverse and material affect on revenues and profitability.

12. Foreign exchange rate fluctuations

The Group is exposed to the risk arising from movements in foreign exchange. In particular a significant proportion of the Group's sales are made in Euros. The Group's foreign currency policy is not to hedge since services bought and sold are in the same currency. However, exposure arises at the time the profits and losses of non-UK operations are translated into sterling. This does not affect actual cash but can affect reported Group results.

13. International activities

The Group conducts operations and markets its services outside of the United Kingdom. Conducting business outside the UK has required the Group to become familiar with and to comply with foreign laws, rules, regulations and customs. The Group's failure to comply with foreign laws, rules and regulations may adversely affect its business, as may any unexpected changes in foreign laws or regulatory requirements.

14. Legislative and regulatory matters

Changes in laws or regulations (or the interpretation of such laws or regulations) or national government or EU policy affecting our activities and/or those of customers and competitors could decrease the Group's revenues, increase costs and impair its ability to offer services.

15. Security

One of the Group's key service offerings is its high level of security. Many of the Group's customers entrust their key strategic IT services and applications to IX Europe because, in part, of the level of security on offer. While security remains one of the Group's highest priorities, there can be no guarantee that the security of any of IX Europe's datacentres will not be breached and a customer's infrastructure put at risk. Any security breach could have a serious effect on the Company's reputation and could lead to a customer(s) terminating its contract early.

16. Availability of corporate name

The letters "IX" are widely used in Europe, especially in the telecommunications and computing industries and, in particular, in respect of Internet and co-location activities. The Directors are aware of the existence of trade names, company names and domain names which are similar to IX Europe's and used in industries similar to IX Europe's, the existence of which could adversely affect the value of the Group's own brand.

17. Energy pricing

One of the Group's largest input costs is electricity which is used to power its datacentres. Electricity prices can fluctuate significantly and the ability of the Group to pass these costs on to the customer will determine the impact of any change in the price of electricity on profitability. Although the Group is moving towards a position where it is able to pass through an increase in the price of electricity to its customers, it is not currently able to do so in all cases.

18. Environmental

Although the Directors believe that the Group's activities are unlikely to represent a serious risk to the environment, under the laws of jurisdictions in which the Group currently operate or plan to operate, there may be a risk that the owner or occupier of a site has residual liability for historic land contamination. Depending on the sites IX Europe acquire and their particular circumstances, there may be an obligation to carry out and pay for environmental remedial works.

19. Dependence on key management/personnel

The Group's future success depends in a large part upon the continued service of key members of its senior management team. In particular, the Group's executive management are critical to the management of the Group and the development of its strategic direction. The loss of any of the Group's management or key personnel could seriously harm its business.

20. Property rights

Where details of the use of the relevant contracted space are included in the Group's service level or licence agreements with its customers, there is some legal uncertainty of general application to the datacentre industry as to whether the terms of such agreements may entitle customers in some jurisdictions to claim certain property rights, including security of tenure, in respect of those parts of the datacentres where their equipment is located. If any such rights were to crystallise, an assessment would need to be made of the impact (if any) under the terms of the Group's leases, but it would not alter the commercial terms with the customer including payments from it.

21. Interest rates

The Group has borrowings denominated in both Sterling and Euros and is therefore exposed to movements in both the UK and Euro area base interest rates. While the Group intends to put in place an interest rate hedge policy, it currently does not have one and consequently any adverse movement in either or both of these interest rates will have a material affect on the Group's profitability.

22. International Financial Reporting Standards

The Group has adopted IFRS accounting policies for its financial results for the year to 31 December 2005. These policies are relatively new and are open to future changes and differing interpretations which could have a material impact on the Group's reported results.

PART 3

ACCOUNTANTS' REPORT AND FINANCIAL INFORMATION ON IX EUROPE

Section A: Accountants' report on the Company



BDO Stoy Hayward LLP
Corporate Finance

BDO Stoy Hayward LLP
Northside House
69 Tweedy Road
Bromley
Kent BR1 3WA

The Directors
IX Europe Plc
Crown House
72 Hammersmith Road
London W14 8TH

3 April 2006

The Directors
Investec Investment Banking
2 Gresham Street
London EC2V 7QP

Dear Sirs

IX Europe Plc (the “Company”) and its subsidiary undertakings (together, the “Group”)

Introduction

We report on the financial information on the Group for the years ended 31 December 2003, 31 December 2004 and 31 December 2005 set out in Section B of Part 3. This financial information has been prepared for inclusion in the admission document dated 3 April of IX Europe plc (the “Document”) on the basis of the accounting policies set out in note 1 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM rules and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

As described in Section B of Part 3, the directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards (“IFRSs”), including International Accounting Standards and Interpretations adopted by the International Accounting Standards Board, as applicable for the relevant period.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Document, a true and fair view of the state of affairs of the Group as at the dates stated and of its consolidated losses, cash flows and recognised income and expense for the years then ended in accordance with the basis of preparation set out in note 1 to the financial information and has been prepared in accordance with IFRS as described in note 1 to the financial information.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM rules, we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Schedule Two of the AIM rules.

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

Section B: Financial information on the Company

Responsibility

The directors of the Company are responsible for preparing the financial information set out below on the basis of preparation set out in Note 1 to the financial information and in accordance with International Financial Reporting Standards (“IFRSs”), including International Accounting Standards and Interpretations adopted by the International Accounting Standards Board, as applicable for the relevant period.

Consolidated income statements

for the years ended 31 December

	<i>Note</i>	<i>2003</i> £	<i>2004</i> £	<i>2005</i> £
Revenue	2	11,188,907	15,487,674	22,538,383
Cost of sales		<u>(7,210,156)</u>	<u>(9,203,686)</u>	<u>(12,537,389)</u>
Gross profit		<u>3,978,751</u>	<u>6,283,988</u>	<u>10,000,994</u>
Administrative expenses		(9,446,018)	(10,370,008)	(12,082,439)
Other operating income	3	1,251,053	736,363	1,461,580
Other operating expenses	3	<u>(516,540)</u>	<u>—</u>	<u>(889,330)</u>
		<u>(8,711,505)</u>	<u>(9,633,645)</u>	<u>(11,510,189)</u>
Operating loss before financing costs	3	(4,732,754)	(3,349,657)	(1,509,195)
Financial income	4	80,661	159,429	103,181
Financial expense	4	<u>(1,616,913)</u>	<u>(401,220)</u>	<u>(3,134,742)</u>
Loss before taxation		<u>(6,269,006)</u>	<u>(3,591,448)</u>	<u>(4,540,756)</u>
Income tax expense	7	<u>—</u>	<u>(10,604)</u>	<u>(42,032)</u>
Loss for the year	2, 14	<u><u>(6,269,006)</u></u>	<u><u>(3,602,052)</u></u>	<u><u>(4,582,788)</u></u>
Loss per share				
Basic	8	<u><u>(13.4p)</u></u>	<u><u>(7.7p)</u></u>	<u><u>(9.8p)</u></u>
Diluted	8	<u><u>(13.4p)</u></u>	<u><u>(7.7p)</u></u>	<u><u>(9.8p)</u></u>

Consolidated statements of recognised income and expense

for the years ended 31 December

	<i>Note</i>	<i>2003</i> £	<i>2004</i> £	<i>2005</i> £
Foreign exchange gains/(losses) on retranslation of overseas operations	14	<u>1,103,200</u>	<u>(141,433)</u>	<u>(617,911)</u>
Net income/(expenses) recognised directly in equity		1,103,200	(141,433)	(617,911)
Loss for the year	14	<u>(6,269,006)</u>	<u>(3,602,052)</u>	<u>(4,582,788)</u>
Total recognised income and expenses for the year		<u><u>(5,165,806)</u></u>	<u><u>(3,743,485)</u></u>	<u><u>(5,200,699)</u></u>

Consolidated balance sheets

at 31 December

	<i>Note</i>	<i>2003</i> £	<i>2004</i> £	<i>2005</i> £
Assets				
Non-current assets				
Property, plant and equipment	9	19,762,509	17,366,914	27,556,247
Intangible assets	10	3,638,400	3,648,444	3,595,865
Other receivables	11	3,503,153	3,907,170	4,500,619
Total non-current assets		<u>26,904,062</u>	<u>24,922,528</u>	<u>35,652,731</u>
Current assets				
Trade and other receivables	11	2,326,358	2,450,735	3,895,473
Cash and cash equivalents	12	1,288,421	1,816,251	4,455,925
Total current assets		<u>3,614,779</u>	<u>4,266,986</u>	<u>8,351,398</u>
Total assets		<u><u>30,518,841</u></u>	<u><u>29,189,514</u></u>	<u><u>44,004,129</u></u>
Equity and liabilities				
Equity				
Share capital	13	8,544,384	8,544,384	8,677,189
Share premium	14	43,783,470	43,783,470	69,148,757
Foreign currency translation reserve	14	8,139	(147,172)	(765,083)
Other reserves	14	—	—	2,545,015
Retained earnings	14	(62,889,415)	(66,483,331)	(71,066,119)
Total equity		<u>(10,553,422)</u>	<u>(14,302,649)</u>	<u>8,539,759</u>
Liabilities				
Non-current liabilities				
Interest bearing loans and borrowings	16	6,775,908	7,766,809	9,129,128
Trade and other payables	17	1,079,501	1,118,425	792,935
Provisions	18	985,349	608,419	183,016
Total non-current liabilities		<u>8,840,758</u>	<u>9,493,653</u>	<u>10,105,079</u>
Current liabilities				
Interest bearing loans and borrowings	19	26,487,697	26,533,182	14,354,965
Trade and other payables	20	5,743,808	7,465,328	10,866,029
Provisions	21	—	—	138,297
Total current liabilities		<u>32,231,505</u>	<u>33,998,510</u>	<u>25,359,291</u>
Total equity and liabilities		<u><u>30,518,841</u></u>	<u><u>29,189,514</u></u>	<u><u>44,004,129</u></u>

Consolidated cash flow statements

for the years ended 31 December

	<i>Note</i>	2003 £	2004 £	2005 £
Cash flows from operating activities				
Loss for the year		(6,269,006)	(3,602,052)	(4,582,788)
Adjustments for				
Depreciation		3,876,105	3,331,316	3,886,535
Recognition of negative goodwill		—	(571,191)	(1,315,109)
Foreign exchange (gains)/losses		(229,546)	(32,970)	31,801
Loss on disposal of fixed assets		18,437	262,520	18,600
Interest expense		1,536,252	241,791	3,031,561
Income tax expense		—	10,604	42,032
		<hr/>	<hr/>	<hr/>
Operating (loss)/profit before changes in working capital and provisions		(1,067,758)	(359,982)	1,112,632
Increase in trade and other receivables		(109,986)	(269,853)	(2,038,187)
Decrease in trade and other payables		(933,559)	(224,999)	431,479
Decrease in provisions		(22,800)	(381,242)	(287,106)
		<hr/>	<hr/>	<hr/>
Cash used in operations		(2,134,103)	(1,236,076)	(781,182)
Income taxes paid		—	(10,604)	—
		<hr/>	<hr/>	<hr/>
Net cash from operating activities		(2,134,103)	(1,246,680)	(781,182)
		<hr/>	<hr/>	<hr/>
Cash flows from investing activities				
Interest received		80,661	159,429	103,181
Proceeds from sale of property, plant and equipment		—	736,058	—
Acquisition of property, plant and equipment		(420,129)	(553,488)	(8,257,804)
Acquisition of subsidiary, net of cash received		—	2,227,742	(114,506)
Acquisition of business, net of cash received		—	—	(1,677,033)
		<hr/>	<hr/>	<hr/>
Net cash from investing activities		(339,468)	2,569,741	(9,946,162)
		<hr/>	<hr/>	<hr/>
Cash flows from financing activities				
Interest paid		(255,801)	(206,776)	(715,379)
Proceeds from shareholders' loans		3,500,000	500,000	1,750,000
Repayment of subordinated loan		—	(339,213)	—
Proceeds from bank loan		—	—	13,151,501
Capital elements of finance leases		(432,055)	(705,468)	(807,484)
		<hr/>	<hr/>	<hr/>
Net cash from financing activities		2,812,144	(751,457)	13,378,638
		<hr/>	<hr/>	<hr/>
Net increase in cash and cash equivalents		338,573	571,604	2,651,294
Cash and cash equivalents at 1 January		940,304	1,288,421	1,816,251
Effect of exchange rate fluctuations on cash held		9,544	(43,774)	(21,205)
		<hr/>	<hr/>	<hr/>
Cash and cash equivalents at 31 December	12	<u>1,288,421</u>	<u>1,816,251</u>	<u>4,446,340</u>

1. Accounting policies

The Company is domiciled in England. The financial information is based on the audited consolidated financial statements of IX Europe plc for the three years ended 31 December 2005 (“the Relevant Period”) after making such adjustments as the directors considered necessary.

Statement of compliance

The consolidated financial information of the Company has been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB) as applicable to the Relevant Periods and with those parts of the Companies Act 1985 applicable to companies preparing their financial statements under IFRS.

Basis of preparation

The preparation of financial information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The accounting policies have been applied consistently by Group entities.

The financial information is presented in GBP because that is the currency in which the Group primarily operates.

KPMG Audit Plc, Chartered Accountants and Registered Auditors, 1 Puddle Dock, London EC4V 3PD, were the auditors to IX Europe plc for the years ended 31 December 2003 and 31 December 2004.

BDO Stoy Hayward LLP, Chartered Accountants and Registered Auditors, Northside House, 69 Tweedy Road, Bromley BR1 3WA, were auditors to IX Europe plc for the year ended 31 December 2005.

Each of the audit reports throughout the Relevant Period have been unqualified.

Basis of consolidation

The consolidated financial information includes financial information of the Company and its subsidiary undertakings. The acquisition method of accounting has been adopted. Under this method the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date the parent gained control until such time as control ceases. Control exists where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Foreign currencies

Transactions entered into by the Group entities in a currency other than the currency of the primary economic environment in which it operates (the “functional currency”) are recorded at the rates ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the “foreign currency translation reserve”).

Property, plant and equipment

Items of property, plant and equipment are stated at cost as deemed cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	– 10 years straight line
Fixtures, fittings, tools and equipment	– 3 years straight line
Short leasehold improvements	– Over the remaining period of the lease
Freehold buildings	– 20 years

Freehold land and assets in the course of construction are not depreciated.

Operating and finance leases

Operating lease rentals relating to co-location facilities are charged to cost of sales in the income statement on a straight line basis over the period of the lease.

Benefits received as an incentive to sign operating leases for co-location facilities are charged to the income statement on a straight line basis over the full length of the lease.

Assets acquired under finance leases are capitalised and the capital element of the lease rentals is included in creditors. Lease payments are analysed between capital and interest. The interest element is charged to the income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liabilities. The capital element reduces the balance owed to the lessor.

Assets under finance leases are depreciated over the shorter of the lease terms and the useful life of equivalent owned assets.

Where the Group has entered into a sale and leaseback arrangement resulting in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term.

Income tax

Income tax expense on the loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither the accounting or taxable profit; and differences relating to investments in subsidiaries to the extent they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Pension costs

A number of Group companies operate defined contribution pension schemes. The assets of these schemes are held separately to those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group in the year.

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, and is the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Negative goodwill (representing the excess of the fair value of the separable net assets acquired over the fair value of the consideration given) is recognised directly in the income statement.

Revenue

Revenue represents the amounts (excluding value-added tax) derived from the provision of co-location and related services to third party customers during the Relevant Period. Where invoices are raised in advance for co-location services, the revenue is deferred and spread over the period to which it relates. All other revenue, including installation revenue, is recognised in the income statement as the service is provided.

Cash and cash equivalents

Cash and cash equivalents, for the purpose of the cash flow statement, comprise cash in hand and deposits repayable on demand, less overdrafts payable on demand. Restricted cash is disclosed under debtors.

Impairment

The carrying amounts of the Group's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such impairment exists, the asset's recoverable amount is estimated.

For goodwill the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount of the Group's assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risk specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

In testing for impairment, management has to make judgements and estimations about future events which are uncertain. In estimating the future cash flows of the cash generating units, management has produced two year budgets based on detailed plans and management knowledge and experience. Adverse results compared to these judgements could alter the decision of whether an impairment is required. See Note 9 for the key assumptions and results of the impairment reviews carried out in the Relevant Period.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except for borrowing costs relating to the acquisition of a qualifying asset which are capitalised with the cost of the asset. During the three years ended 31 December 2005 borrowing costs of £103,079 (2004: £Nil; 2003: £Nil) were capitalised.

Other financial liabilities

Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are recognised at amortised cost.
- Bank borrowings and certain preference shares are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liabilities carried in the balance sheet. Interest expense in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Convertible debt

The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include the right to convert. Subsequently the debt component is accounted for as a financial liability measured at amortised cost.

The difference between the debt proceeds of the convertible debt and the amount allocated to the debt component is credited directly to equity and is not subsequently re-measured. On conversion, the debt and equity elements are credited to share capital and share premium as appropriate.

2. Segmental information

Segment information is presented in respect of the Group's geographical and business segments. The primary format, geographical segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Geographical Segments

During the Relevant Period, the Group operated data centres in four European countries (United Kingdom, France, Germany and Switzerland). It is considered that France, Germany and Switzerland represent regions which are substantially similar and have therefore been combined. Thus, there are two reportable segments, United Kingdom and the Rest of Europe. There is no difference between location of the segment assets and the segment customers.

Business Segments

IX Europe plc has one class of business which is to provide carrier neutral data centre and hosting services to its customers.

UNITED KINGDOM

	<i>Years ended 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£</i>	<i>£</i>	<i>£</i>
External revenue	5,491,267	7,059,523	9,344,808
Inter-segment revenue	400,000	859,527	3,010,466
Total revenue	<u>5,891,267</u>	<u>7,919,050</u>	<u>12,355,274</u>
Segment result	<u>45,100</u>	<u>947,681</u>	<u>1,946,871</u>

REST OF EUROPE

	<i>Years ended 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£</i>	<i>£</i>	<i>£</i>
External revenue	5,697,640	8,428,151	13,193,575
Inter-segment revenue	—	—	236,376
Total revenue	5,697,640	8,428,151	13,429,951
Segment result	(3,080,610)	(2,638,124)	(2,309,429)

CONSOLIDATED

	<i>Years ended 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Total revenue	11,588,907	16,347,201	25,785,225
Less: Inter-segment revenue	400,000	859,527	3,246,842
Revenue	11,188,907	15,487,674	22,538,383
Segment result	(3,035,510)	(1,690,443)	(362,558)
Unallocated expenses	(3,233,496)	(1,901,005)	(4,178,198)
Income tax expense	—	(10,604)	(42,032)
Result	(6,269,006)	(3,602,052)	(4,582,788)

	<i>As at 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Assets			
Segment assets – United Kingdom	7,668,528	7,338,742	12,939,838
Segment assets – Rest of Europe	22,222,840	21,141,669	29,127,724
Unallocated	627,473	709,103	1,936,567
Total assets	30,518,841	29,189,514	44,004,129
Liabilities			
Segment liabilities – United Kingdom	2,268,829	2,415,221	4,230,298
Segment liabilities – Rest of Europe	5,532,097	6,807,523	7,023,728
Unallocated	33,271,337	34,269,419	24,210,344
Total liabilities	41,072,263	43,492,163	35,464,370

	<i>Years ended 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Capital Expenditure			
Capital expenditure – United Kingdom	90,337	111,371	4,708,326
Capital expenditure – Rest of Europe	325,423	1,843,569	9,758,148
Capital expenditure – Unallocated	4,369	28,967	17,995
Total capital expenditure	<u>420,129</u>	<u>1,983,907</u>	<u>14,484,469</u>
Depreciation			
Segment depreciation – United Kingdom	1,088,393	942,114	959,745
Segment depreciation – Rest of Europe	2,475,862	2,236,689	2,891,840
Segment depreciation – Unallocated	311,850	152,513	34,950
Total depreciation	<u>3,876,105</u>	<u>3,331,316</u>	<u>3,886,535</u>
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Revenue			
Segment revenue – Co-location	<u>11,188,907</u>	<u>15,487,674</u>	<u>22,538,383</u>
Assets			
Segment assets – Co-location	29,891,368	28,480,411	42,067,562
Unallocated	627,473	709,103	1,936,567
Total assets	<u>30,518,841</u>	<u>29,189,514</u>	<u>44,004,129</u>
Capital Expenditure			
Capital expenditure – Co-location	415,760	1,954,940	14,466,474
Capital expenditure – Unallocated	4,369	28,967	17,995
Total capital expenditure	<u>420,129</u>	<u>1,983,907</u>	<u>14,484,469</u>

Amounts within capital expenditure and depreciation include those acquired with subsidiaries and businesses during the Relevant Period.

3. Loss from operations

	<i>Years ended 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	£	£	£
Operating loss is stated after charging/(crediting):			
Loss on disposal of fixed assets	18,437	262,520	18,600
Net foreign currency translation (gains)/losses	(229,546)	(32,970)	31,801
Auditors' remuneration:			
– audit services	80,000	117,663	54,274
– other services	42,900	61,706	—
Depreciation of tangible fixed assets			
– owned assets	3,461,774	2,910,095	3,173,508
– leased assets	414,331	421,221	713,027
Operating lease – minimum lease payments			
– Hire of plant and machinery	—	91,681	3,646,746
– Other	2,428,222	3,012,012	31,801
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	£	£	£
Other operating income			
Gain on disposal of business	—	165,172	—
Recognition of negative goodwill	—	571,191	1,315,109
Provision release	—	—	146,471
Write-back of accrued charge	1,251,053	—	—
	<u>1,251,053</u>	<u>736,363</u>	<u>1,461,580</u>
Other operating expenses			
Provision for closure of property	516,540	—	—
Equity restructuring	—	—	488,072
Restructuring in France and Germany	—	—	401,258
	<u>516,540</u>	<u>—</u>	<u>889,330</u>
4. Financing costs			
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	£	£	£
Bank interest receivable	80,661	40,359	85,323
Other interest receivable	—	119,070	17,858
Financial income	<u>80,661</u>	<u>159,429</u>	<u>103,181</u>
Bank interest payable	—	5,815	6,400
Interest payable on third party loans	121,545	59,819	490,388
Interest payable on finance leases	134,256	141,142	182,607
Interest charge on financial liabilities (Note 16, 19)	1,361,112	194,444	2,446,571
Other interest payable	—	—	8,776
Financial expenses	<u>1,616,913</u>	<u>401,220</u>	<u>3,134,742</u>

5. Acquisitions

Telehouse (Suisse) SA

On 25 March 2004 the Group acquired through IX Europe (Switzerland) AG all of the shares of Telehouse (Suisse) SA, Geneva, Switzerland for CHF 1. The resulting negative goodwill of £571,191 has been recognised in income.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group:

	<i>Book value</i>	<i>Revaluation</i>	<i>Accounting policy adjustment</i>	<i>Other adjustments</i>	<i>Fair value</i>
	£	£	£	£	£
Fixed assets					
Tangible	117,819	—	(63,844)	(4,210)	49,765
Current assets					
Stock	32,931	(32,931)	—	—	—
Debtors	261,280	—	—	3,766	265,046
Cash	2,227,742	—	—	—	2,227,742
Total assets	2,639,772	(32,931)	(63,844)	(444)	2,542,553
Liabilities					
Provisions	—	—	—	(1,511,750)	(1,511,750)
Creditors	(459,612)	—	—	—	(459,612)
Total liabilities	(459,612)	—	—	(1,511,750)	(1,971,362)
Net assets	2,180,160	(32,931)	(63,844)	(1,512,194)	571,191
Negative goodwill					(571,191)
Purchase consideration and costs of acquisition					—

The stock acquired was written off due to it being of a non-standard nature and unlikely to be used in the ongoing business.

The estimated useful lives of the fixed assets acquired were adjusted to bring them into line with the Group's accounting policy.

A provision was made for a lease exit penalty of CHF 3 million upon the acquisition due to renegotiation of the lease of the company's premises as well as a provision for legal and professional fees of CHF 300,000.

Telehouse (Suisse) SA was merged with IX Europe (Switzerland) AG on 15 June 2004.

In the 9 months to 31 December 2004, the subsidiary contributed net profit of £43,075 to the consolidated loss of £3,602,052. If the acquisition had occurred on 1 January 2004, Group revenue would have been £15,550,378 and Group loss would have been £3,587,695.

Negative goodwill arose due to assets having a fair value higher than was paid.

Gesellschaft für Informationstechnologie und Consulting mbH

On 5 April 2005, a business continuity provider in Germany was acquired by a Group subsidiary in Germany. All of the voting shares in GIC mbH (Gesellschaft für Informationstechnologie und Consulting mbH) were acquired for £118,977 and added approximately 3 per cent. of monthly recurring revenues in April 2005. GIC mbH has offices in Frankfurt and Munich and provides business continuity services to financial and enterprise clients, including Merrill Lynch and AlpInvest.

In the 9 months to 31 December 2005 the subsidiary contributed net loss of £199,216 to the consolidated loss of £4,582,788. If the acquisition had occurred on 1 January 2005 then Group revenue would have been £22,695,951 and Group loss would have been £4,649,193.

Acquirees's net assets at acquisition date

	<i>Recognised</i>	<i>Fair Value</i>	<i>Book</i>
	<i>£</i>	<i>Adjustment</i>	<i>Value</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Property, plant and equipment	155,298	—	155,298
Trade and other receivables	6,897	—	6,897
Cash and cash equivalents	4,471	—	4,471
Trade and other payables	(20,560)	—	(20,560)
Other creditors	(81,103)	—	(81,103)
	<hr/>	<hr/>	<hr/>
Net identifiable assets and liabilities	65,003	—	65,003
Goodwill on acquisition	53,974	<hr/>	<hr/>
Consideration paid, satisfied in cash	118,977		
Cash (acquired)	(4,471)		
	<hr/>		
Net cash outflow	<u>114,506</u>		

The main factors leading to the recognition of goodwill are:

- synergistic cost savings which result in the Group being prepared to pay a premium; and
- the fact that a lower cost of capital is ascribed to the expected future cash flows of the entire operation acquired than might be to individual assets.

London 3

On 17 November 2005, the assets and business of the London 3 datacentre were acquired in West London for £2,450,000.

Net assets of business acquired at acquisition date at fair value

	<i>Recognised</i>
	<i>£</i>
Property, plant and equipment	2,786,942
Negative goodwill on acquisition	(336,942)
	<hr/>
Purchase price	<u>2,450,000</u>
	<hr/>
Consideration paid, satisfied in cash	1,000,000
Deferred consideration	1,450,000
	<hr/>
Purchase price	<u>2,450,000</u>
	<hr/>
Net cash outflow in the year	<u>1,000,000</u>

Negative goodwill arose due to assets having a fair value higher than was paid.

In the one month to 31 December 2005, the business contributed net loss of £67,359 to the consolidated loss of £4,582,788. If the acquisition had occurred on 1 January 2005, Group revenue would have been £22,962,301 and Group loss would have been £5,323,739.

Frankfurt 2

On 29 September 2005, the assets and business of the Frankfurt 2 datacentre were acquired in Frankfurt for £1,284,543.

Net assets of business acquired at acquisition date at fair value

	<i>Recognised</i> £
Property, plant and equipment	2,546,420
Creditors	(326,760)
Debtors	43,050
	<hr/>
Net identifiable assets and liabilities	2,262,710
Negative goodwill on acquisition	(978,167)
	<hr/>
Purchase price	1,284,543
	<hr/> <hr/>
	 £
Consideration paid, satisfied in cash	677,033
Vendor liabilities settled	505,120
Deferred consideration	102,390
	<hr/>
Purchase price	1,284,543
	<hr/> <hr/>
Net cash outflow	677,033
	<hr/> <hr/>

Negative goodwill arose due to assets having a fair value higher than was paid.

In the 3 months to 31 December 2005, the business contributed net profit of £125,120 to the consolidated loss of £4,582,788. If the acquisition had occurred on 1 January 2005, Group revenue would have been £24,077,704 and Group loss would have been £4,207,428.

6. Employee expenses

	<i>2003</i> £	<i>2004</i> £	<i>2005</i> £
Wages, salaries and fees	4,075,643	4,572,719	5,927,833
Social security costs	563,489	755,884	857,566
Pension costs	178,462	202,876	173,501
	<hr/>	<hr/>	<hr/>
	4,817,594	5,531,479	6,958,900
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	<i>Number of employees</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
The average monthly number of employees of the Group (including directors) during the year was:			
Administration	32	36	48
Sales and marketing	19	22	24
Site management	35	36	45
	<hr/>	<hr/>	<hr/>
	86	94	117
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Remuneration of the directors is as follows:

	2003 £	2004 £	2005 £
Aggregate emoluments	587,901	771,262	853,359
Contributions to defined contribution pension schemes	31,500	32,700	36,675
	<u>619,401</u>	<u>803,962</u>	<u>890,034</u>
Highest paid director			
Aggregate emoluments	172,587	310,676	286,448
Contributions to defined contribution pension schemes	11,250	13,500	13,500
	<u>183,837</u>	<u>324,176</u>	<u>299,948</u>

At 31 December 2005, 3 directors (2004: 3; 2003: 3) had retirement benefits accruing under defined contribution pension schemes.

7. Taxation

	2003 £	2004 £	2005 £
UK Corporation tax	—	—	—
UK deferred tax	—	—	—
Foreign tax – Corporation tax	—	4,122	42,032
Foreign tax – Capital gains tax	—	6,482	—
	<u>—</u>	<u>10,604</u>	<u>42,032</u>

The tax charge for the years are different from the standard rate of corporation tax in the UK which is 30% (2004: 30%; 2003: 30%). The differences are explained below:

	2003 £	2004 £	2005 £
<i>Current tax reconciliation:</i>			
Loss before taxation	(6,269,006)	(3,591,448)	(4,450,756)
UK corporation tax at 30%	(1,880,702)	(1,077,434)	(1,335,227)
<i>Effects of:</i>			
Items not deductible/taxable for tax purposes	3,315,448	772,691	1,361,184
Capital allowances in excess of depreciation	280,997	198,004	188,277
Differences between overseas and UK tax rate	(77,909)	(182,602)	(104,722)
Utilisation of tax losses brought forward	(1,619,902)	299,856	(978,769)
Current year losses not utilised	—	—	868,269
Other	(17,932)	89	43,020
Tax charge for the year	<u>—</u>	<u>10,604</u>	<u>42,032</u>

8. Loss per Share

Basic loss per share

The basic loss per share has been calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of shares in issue during the year.

	2003	2004	2005
Net loss attributable to ordinary shareholders (£)	(6,269,006)	(3,602,052)	(4,582,788)
Weighted average number of ordinary shares in issue	46,675,232	46,675,232	46,675,232
Basic and diluted loss per share	(13.4p)	(7.7p)	(9.8p)

Diluted loss per share

The diluted loss per share has been calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of shares in issue during each year, adjusted for potentially dilutive shares that are not antidilutive. All potentially dilutive shares are antidilutive.

	2003	2004	2005
Weighted average number of ordinary shares in issue	46,675,232	46,675,232	46,675,232
Adjustment for share options	1,914,895	1,914,895	293,750
Adjustment for Priority Preference shares	13,459,221	13,459,221	4,850,000
Adjustment for convertible shareholder loan	7,000,000	8,000,000	8,000,000
Adjustment for convertible deep discount bonds	—	—	1,835,198
Weighted average number of ordinary shares in issue	69,049,348	70,049,348	61,654,180

9. Property, Plant and Equipment

	<i>Freehold land- buildings</i> £	<i>Short leasehold improve- ments</i> £	<i>Assets in the course of construction</i> £	<i>Plant and machinery</i> £	<i>Fixtures, fittings, tools and equipment</i> £	<i>Total</i> £
Cost						
At 1 January 2003	716,054	2,117,077	803,702	26,696,401	3,020,714	33,353,948
Additions	—	—	39,335	207,371	173,423	420,129
Disposals	—	—	—	—	(23,841)	(23,841)
Transfers	—	—	(270,272)	226,072	44,200	—
Currency translation differences	57,625	51,624	25,173	1,357,507	95,245	1,587,174
At 31 December 2003	773,679	2,168,701	597,938	28,487,351	3,309,741	35,337,410
Additions	—	—	80,191	118,020	1,785,696	1,983,907
Disposals	(773,679)	(5,614)	—	(575,361)	(141,147)	(1,495,801)
Currency translation differences	—	1,913	474	65,604	10,126	78,117
At 31 December 2004	—	2,165,000	678,603	28,095,614	4,964,416	35,903,633
Acquisition	—	832,396	—	5,037,876	505,348	6,375,620
Additions	4,779,710	—	1,711,657	1,425,999	1,061,589	8,978,955
Disposals	—	—	—	—	(21,600)	(21,600)
Currency translation differences	—	(58,381)	(23,500)	(576,739)	(104,000)	(762,620)
At 31 December 2005	4,779,710	2,939,015	2,366,760	33,982,750	6,405,753	50,473,988

	<i>Freehold land- buildings</i> £	<i>Short leasehold improve- ments</i> £	<i>Assets in the course of construction</i> £	<i>Plant and machinery</i> £	<i>Fixtures, fittings, tools and equipment</i> £	<i>Total</i> £
Depreciation						
At 1 January 2003	48,501	1,717,761	551,191	7,268,766	1,684,210	11,270,429
Provision for impairment	—	—	—	473,700	—	473,700
Charge for year	32,169	56,075	—	2,490,539	823,622	3,402,405
Disposals	—	—	—	—	(5,404)	(5,404)
Currency translation differences	3,903	6,825	—	367,269	55,774	433,771
At 31 December 2003	84,573	1,780,661	551,191	10,600,274	2,558,202	15,574,901
Charge for year	23,189	53,546	—	2,635,586	618,995	3,331,316
Disposals	(107,762)	(1,279)	—	(247,116)	(141,066)	(497,223)
Currency translation differences	—	3,545	—	95,745	28,435	127,725
At 31 December 2004	—	1,836,473	551,191	13,084,489	3,064,566	18,536,719
Acquisition	—	—	—	423,644	446,462	870,106
Charge for year	56,397	7,643	—	2,955,572	866,923	3,886,535
Disposals	—	—	—	—	(3,000)	(3,000)
Currency translation differences	299	(49,205)	(19,298)	(249,356)	(55,059)	(372,619)
At 31 December 2005	56,696	1,794,911	531,893	16,214,349	4,319,892	22,917,741
Net book value						
At 31 December 2003	689,106	388,040	46,747	17,887,077	751,539	19,762,509
At 31 December 2004	—	328,527	127,412	15,011,125	1,899,850	17,366,914
At 31 December 2005	4,723,014	1,144,104	1,834,867	17,768,401	2,085,861	27,556,247
Net book value of assets held under finance lease						
At 31 December 2003	—	—	—	2,717,005	38,023	2,755,028
At 31 December 2004	—	—	—	1,888,930	1,127,511	3,016,441
At 31 December 2005	—	—	—	1,725,156	1,124,324	2,849,480

10. Intangible assets

	<i>Goodwill</i> £
Cost	
Balance at 1 January 2003	11,550,679
Effect of movements in foreign exchange	929,533
Balance at 31 December 2003	12,480,212
Effect of movements in foreign exchange	34,454
Balance at 31 December 2004	12,514,666
Additions in the year	53,974
Effect of movements in foreign exchange	(313,250)
Balance at 31 December 2005	12,255,390
Amortisation and impairment	
Balance at 1 January 2003	7,281,478
Net equity adjustment to effect the carrying value of goodwill at 31 December 2005 in accordance with IFRS 1	1,056,674
Effect of movements in foreign exchange	503,660
Balance at 31 December 2003	8,841,812
Net equity adjustment to effect the carrying value of goodwill at 31 December 2005 in accordance with IFRS 1	5,742
Effect of movements in foreign exchange	18,668
Balance at 31 December 2004	8,866,222
Effect of movements in foreign exchange	(206,697)
Balance at 31 December 2005	8,659,525
Carrying amount	
At 31 December 2003	3,638,400
At 31 December 2004	3,648,444
At 31 December 2005	3,595,865

Impairment tests for cash-generating units containing goodwill

The following cash-generating units have significant goodwill:

	2003 £	2004 £	2005 £
Group made of IX Datacentres Frankfurt 1 & Zurich 1	3,638,400	3,648,444	3,541,891
Units without significant goodwill	—	—	53,974
	<u>3,638,400</u>	<u>3,648,444</u>	<u>3,595,865</u>

The recoverable amount of the group of cash generating units Frankfurt 1 & Zurich 1 is based on value in use calculations. Those calculations use cash flow projections based on the relevant budgets, as approved by the Group Board.

The discount factor in 2005 has been determined as 15 per cent. (2004: 9.19 per cent.; 2003: 9.62 per cent.) based on beta values of similar companies in the same industry adjusted to reflect managements assessment of specific risks related to the cash generating unit.

The key assumptions used and the approach to determining their value are:

<i>Assumption</i>	<i>How Determined</i>
Operating margin	This is based on detailed plans of datacentre space available and past experience of management after the period of the official budget.
Terminal value	This has been estimated using a valuation technique.

During the period of management approved budgets, actual costs are estimated. After that period covered by detailed budgets, zero sales price and cost inflation are assumed.

The value of Frankfurt 1 and Zurich 1 exceeds the carrying amount of the cash generating units by £2,355,000 at 31 December 2005.

Any adverse change in assumptions could reduce the recoverable amount. For the carrying value of the Frankfurt 1 and Zurich 1 cash generating units to equal value in use, the operating margin would have to decrease to 84 per cent. of current budget.

A discount rate of 23.0 per cent. would result in the carrying value of the Frankfurt 1 and Zurich 1 cash generating units being equal to the value in use at 31 December 2005.

11. Trade and other receivables

Current	2003	2004	2005
	£	£	£
Trade debtors	957,401	1,280,252	2,073,643
Other debtors	854,014	473,255	783,884
Prepayments and accrued income	514,943	697,228	1,037,946
	<u>2,326,358</u>	<u>2,450,735</u>	<u>3,895,473</u>

Included above are the following amounts due after one year:

Non-current	2003	2004	2005
	£	£	£
Other debtors	—	—	85,212
Prepayments and accrued income	91,346	80,012	—
Security deposit	3,411,807	3,829,158	4,415,407
	<u>3,503,153</u>	<u>3,907,170</u>	<u>4,500,619</u>

Security deposits comprise long-term rent deposits for facilities held under operating leases and security held under a sale and lease back facility.

Under the terms of a sale and lease back facility, €1,750,000 (£1,202,584) (2004: €1,750,000 (£1,238,763); 2003: €1,750,000 (£1,235,352)) of the cash proceeds received are required to be deposited as cash security for the first five years of the lease. This cash security deposit will be released to the Company's subsidiary in equal amounts over the last five years of the lease.

12. Cash and cash equivalents

	2003	2004	2005
	£	£	£
Bank balances	<u>1,288,421</u>	<u>1,816,251</u>	<u>4,455,925</u>
Cash and cash equivalents	<u>1,288,421</u>	<u>1,816,251</u>	<u>4,455,925</u>
Bank overdrafts	<u>—</u>	<u>—</u>	<u>(9,585)</u>
Cash and cash equivalents in statement of cash flows	<u>1,288,421</u>	<u>1,816,251</u>	<u>4,446,340</u>

The Group has £2,044,569 (2004: £1,955,523; 2003: £1,235,352) of cash which is restricted and is disclosed in receivables. This is held as security on landlord deposits and under terms of a sale and leaseback agreement.

13. Called up share capital

Authorised for issue and approved by the board

	2003 No.	2004 No.	Redesignation (total) No.	Deferral No.	2005 No.	2003 £	2004 £	2005 £
Ordinary shares of £0.01 each								
Ordinary shares	—	—	11,559,881	—	11,559,881	—	—	115,599
B Ordinary shares	—	—	38,024,379	—	38,024,379	—	—	380,244
Ordinary shares: Class A	200	200	(200)	—	—	2	2	—
Ordinary shares: Class B	87,457	87,457	(87,457)	—	—	875	875	—
Ordinary shares: Class C	16,056	16,056	(16,056)	—	—	161	161	—
Ordinary shares: Class D	18,881	18,881	(18,881)	—	—	189	189	—
Ordinary shares: Class E	2,378,000	2,378,000	(2,378,000)	—	—	23,780	23,780	—
Ordinary shares: Class F	46,256,142	46,256,142	(46,256,142)	—	—	462,561	462,561	—
Ordinary shares: Class G	100	100	(100)	—	—	1	1	—
Preferred Ordinary shares	827,424	827,424	(827,424)	—	—	8,274	8,274	—
Deferred shares	807,763,187	807,763,187	—	12,109,221	819,872,408	8,077,632	8,077,632	8,198,724
	857,347,447	857,347,447	—	12,109,221	869,456,668	8,573,475	8,573,475	8,694,567
Shares of £0.01 each:								
Priority Preference shares	24,000,000	24,000,000	—	(8,609,221)	15,390,779	240,000	240,000	153,908
Super Priority Preference shares	3,500,000	3,500,000	—	(3,500,000)	—	35,000	35,000	—
	27,500,000	27,500,000	—	(12,109,221)	15,390,779	275,000	275,000	153,908
	884,847,447	884,847,447	—	—	884,847,447	8,848,475	8,848,475	8,848,475

Allotted, called up and fully paid

Ordinary shares of £0.01 each								
Ordinary shares	—	—	9,146,944	—	9,146,944	—	—	—
B Ordinary shares	—	—	37,528,288	—	37,528,288	—	—	—
Ordinary shares: Class A	200	200	(200)	—	—	—	—	—
Ordinary shares: Class B	87,457	87,457	(87,457)	—	—	—	—	—
Ordinary shares: Class F	45,760,051	45,760,051	(45,760,051)	—	—	—	—	—
Ordinary shares: Class G	100	100	(100)	—	—	—	—	—
Preferred Ordinary shares	827,424	827,424	(827,424)	—	—	—	—	—
Deferred shares	807,763,187	807,763,187	—	8,609,221	816,372,408	—	—	—
	854,438,419	854,438,419	—	8,609,221	863,047,640	—	—	—
Shares of £0.01 each:								
Priority Preference shares	13,459,221	13,459,221	—	(8,609,221)	4,850,000	—	—	—
	867,897,640	867,897,640	—	—	867,897,640	—	—	—

	Ordinary shares	B Ordinary shares	Ordinary shares: classes A, B, F and G	Preferred Ordinary shares	Defered shares	Priority Preference shares	TOTAL
	£	£	£	£	£	£	£
Allotted, called up and fully paid							
Balance at 1 January 2003 and 31 December 2003	—	—	458,478	8,274	8,077,632	—	8,544,384
Balance at 1 January 2004 and 31 December 2004	—	—	458,478	8,274	8,077,632	—	8,544,384
Balance at 1 January 2005	—	—	458,478	8,274	8,077,632	—	8,544,384
Share reorganisation	91,469	375,283	(458,478)	(8,274)	86,092	—	86,092
Re-designation of Preference shares	—	—	—	—	—	46,713	46,713
Balance at 31 December 2005	91,469	375,283	—	—	8,163,724	46,713	8,677,189

During 2005, the Company restructured its equity, including adopting new Articles of Association. These changes are reflected in the table above and are described in detail below.

The resulting changes to equity took effect on 28 December 2005:

Deferral of 63.965 per cent. of issued Priority Preference shares to Deferred shares. The authorised Super Priority Preference shares are also converted to Deferred shares.

Redesignation I – conversion of Ordinary shares Classes A, C, D, E, G and 8,137 Preferred Ordinary shares to Ordinary shares.

Redesignation II – conversion of Ordinary shares Classes B, F and remaining 819,287 Preferred Ordinary shares to B Ordinary shares.

Redesignation III – conversion of 9,216,088 B Ordinary shares to Ordinary shares.

Under IFRS all Priority Preference shares were classed as a liability (note 19). On 28 December 2005, 4,671,295 Priority Preference shares were modified so they are only redeemable on liquidation of the Company or at the discretion of the Company. These shares are therefore classed as equity at 31 December 2005 and not as a liability.

The deferral of Priority Preference shares causes the transfer of the liability attached to the Priority Preference to share capital and share premium.

In accordance with the terms of the Priority Preference shares the holders are entitled to a preferred return equal to 100 per cent. of the issue price of the Priority Preference shares.

The Priority Preference shares entitle the holders to receive notice of all general meetings, but do not entitle the holders to attend or vote at any general meeting. In the event of a liquidation of the Company, the rights of the holders of the Priority Preference shares are preferential to the rights of all other shareholders.

The Priority Preference shareholders do not have any rights to share in the profits and losses of the Group.

The Deferred shares do not entitle the holders to receive notice of or attend or vote at any general meeting or to share in the profits and losses of the Group.

All classes of Ordinary shares entitle the holders to attend and vote at any general meeting of the Company. All classes of Ordinary shares rank *pari passu* when determining any distributions. A distribution to ordinary shareholders can only be made following the redemption of the Priority Preference shares, including the preferred return.

In the event of a liquidation of the Company, the holders of Priority Preference shares have first priority. Once all outstanding amounts on the Priority preference shares have been redeemed any remaining assets on liquidation will then be distributed equally among all classes of ordinary shareholders.

In the event of a liquidation of the Company, the Deferred shares entitle the holders to an amount up to a maximum of £1 per share held to the extent that the holders of all the other shares have received an amount equal to £1 million in respect of each share of which they are the holder.

Share option schemes

The Company had previously adopted three unapproved share option schemes but the options granted under these schemes have now been surrendered.

23 February 2000 unapproved share option scheme in respect of “C” Ordinary Shares

16,056 options were granted during 2000, exercisable at a price of £2.15 per share. All options have been surrendered (2004 and 2003: 12,106 surrendered).

27 September 2000 unapproved share option scheme in respect of “D” Ordinary Shares

13,634 options were granted during 2000, exercisable at a price of £80.00 per share. All options have been surrendered (2004 and 2003: 12,064 surrendered).

24 September 2002 unapproved share option scheme in respect of “E” Ordinary Shares

2,203,125 options were granted on 24 September 2002, exercisable at a price of £0.01 per share. Of these options 1,909,375 had been surrendered at 31 December 2005. The remaining 293,750 options were surrendered on 12 January 2006 (2004 and 2003: 293,750 surrendered).

The Group has taken advantage of the transitional provisions of IFRS 2 “Share-based Payment”, not to apply IFRS 2 to the above share option schemes as they were granted before the transition date of 7 November 2002.

14. Share premium and reserves

	<i>Share premium account £</i>	<i>Profit and loss account £</i>	<i>Foreign exchange retranslation reserve £</i>	<i>Other reserve £</i>
At 1 January 2003	43,783,470	(58,117,557)	1,458,761	—
Retained loss for the year	—	(6,269,006)	—	—
Currency translation differences on foreign currency net investments	—	—	1,103,200	—
Charge to effect the carrying value of goodwill at 31 December 2005 in accordance with IFRS 1	—	1,497,148	(2,553,822)	—
At 31 December 2003	43,783,470	(62,889,415)	8,139	—
Retained loss for the year	—	(3,602,052)	—	—
Currency translation differences on foreign currency net investments	—	—	(141,433)	—
Charge to effect the carrying value of goodwill at 31 December 2005 in accordance with IFRS 1	—	8,136	(13,878)	—
At 31 December 2004	43,783,470	(66,483,331)	(147,172)	—
Retained loss for the year	—	(4,582,788)	—	—
Currency translation differences on foreign currency net investments	—	—	(617,911)	—
Preference share liability transferred to deferred shares	16,447,362	—	—	—
Change in conditions of some Preference shares	8,917,925	—	—	—
Equity element of compound financial instrument	—	—	—	2,545,015
At 31 December 2005	<u>69,148,757</u>	<u>(71,066,119)</u>	<u>(765,083)</u>	<u>2,545,015</u>

Share premium

The amount subscribed for share capital in excess of nominal value.

Profit and loss account

Cumulative net gains and losses recognised in the consolidated income statement.

Foreign exchange translation reserve

The translation reserve comprises all foreign exchange differences arising from translation of the financial statements of foreign operations that are not integral to the operation of the company.

Other reserve

The other reserve represents the equity component of compound financial instruments.

15. Changes in shareholders' equity

	2003	2004	2005
	£	£	£
Total recognised income and expense	(5,165,806)	(3,743,485)	(5,200,699)
Preference share liability transferred to deferred shares	—	—	16,533,454
Change in conditions of some Preference shares	—	—	8,964,638
Equity element of compound financial instruments	—	—	2,545,015
Charge to effect the carrying value of goodwill at 31 December 2005 in accordance with IFRS 1	(1,056,674)	(5,742)	—
	<u>(6,222,480)</u>	<u>(3,749,227)</u>	<u>22,842,408</u>
Capital and reserves attributable to equity holders of the parent at the beginning of the period	<u>(4,330,942)</u>	<u>(10,553,422)</u>	<u>(14,302,649)</u>
Capital and reserves attributable to equity holders of the parent at the end of the period	<u>(10,553,422)</u>	<u>(14,302,649)</u>	<u>8,539,759</u>

16. Interest bearing loans and borrowings: non-current

	2003	2004	2005
	£	£	£
Obligation under finance leases	1,914,796	2,211,253	1,807,695
Shareholders' loan	4,861,112	5,555,556	5,555,556
Deep Discount Bonds	—	—	1,765,877
	<u>6,775,908</u>	<u>7,766,809</u>	<u>9,129,128</u>

The shareholders' loan was issued for proceeds of £4,000,000. It is not subordinated, is redeemable at a premium of 100 per cent. of the value and under certain circumstances is convertible into Priority Preference shares, again at 100 per cent. of the value. At 31 December 2005, the shareholders extended the term of the loan such that it is not repayable until 31 December 2007. The loan is carried at fair value in accordance with IAS 32. It is a compound instrument and £2,444,444 has been recognised in equity, representing the equity portion of this compound instrument.

The deep discount bonds were issued for proceeds of £1,750,000. They are not subordinated, are redeemable at a premium and under certain circumstances are convertible into Priority Preference shares, again at a premium. The final redemption date on the deep discount bonds is 31 December 2007. The loan is carried at fair value in accordance with IAS 32. It is a compound instrument and £71,448 has been recognised in equity, representing the equity portion of this compound instrument.

Finance leases

The minimum future lease payments to which the Group are committed under finance leases are as follows:

	<i>Minimum lease payments 2003 £</i>	<i>Principal 2003 £</i>	<i>Interest 2003 £</i>
Less than one year	424,459	300,922	123,538
Between one and five years	1,482,444	988,277	494,164
More than five years	1,389,792	926,513	463,279
	<u>3,296,695</u>	<u>2,215,712</u>	<u>1,080,981</u>

	<i>Minimum lease payments 2004 £</i>	<i>Principal 2004 £</i>	<i>Interest 2004 £</i>
Less than one year	853,939	685,616	168,323
Between one and five years	2,114,184	1,591,873	522,311
More than five years	929,086	619,380	309,706
	<u>3,897,209</u>	<u>2,896,869</u>	<u>1,000,340</u>

	<i>Minimum lease payments 2005 £</i>	<i>Principal 2005 £</i>	<i>Interest 2005 £</i>
Less than one year	991,210	830,490	160,720
Between one and five years	1,946,626	1,446,947	499,679
More than five years	541,140	360,744	180,396
	<u>3,478,976</u>	<u>2,638,181</u>	<u>840,795</u>

Maturity of borrowings excluding finance leases:

	<i>2003 £</i>	<i>2004 £</i>	<i>2005 £</i>
Debt can be analysed as falling due:			
Between one and two years	<u>4,861,112</u>	<u>5,555,556</u>	<u>7,321,433</u>

17. Trade and other payables: non-current

	<i>2003 £</i>	<i>2004 £</i>	<i>2005 £</i>
Other creditors	90,530	107,731	559,369
Accruals and deferred income	988,971	1,010,694	233,566
	<u>1,079,501</u>	<u>1,118,425</u>	<u>792,935</u>

18. Provisions: non-current

	<i>Provision for claims</i>	<i>Provision for closure of property</i>	<i>Provision for pension scheme</i>	<i>Total</i>
	£	£	£	£
At 1 January 2003	1,008,149	—	—	1,008,149
Creation of provision	—	35,187	—	35,187
Release of provision	(100,000)	—	—	(100,000)
Exchange rate movements	42,013	—	—	42,013
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	950,162	35,187	—	985,349
Creation of provision	—	—	114,271	114,271
Utilisation of provision	(82,289)	(35,187)	—	(117,476)
Release of provision	(361,941)	—	—	(361,941)
Exchange rate movements	(16,621)	—	4,837	(11,784)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	489,311	—	119,108	608,419
Transfer to current provisions	(489,311)	—	—	(489,311)
Creation of provision	—	—	68,494	68,494
Exchange rate movements	—	—	(4,586)	(4,586)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2005	—	—	183,016	183,016
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The provisions relate to claims against the Group and the associated costs of defending those claims, the costs for closure of a property and provision for pension scheme liabilities.

19. Interest bearing loans and borrowings: current

	<i>2003</i>	<i>2004</i>	<i>2005</i>
	£	£	£
Subordinated loan and overdrafts	339,213	—	9,585
Obligation under finance leases	300,918	685,616	830,486
Bank loan – Bridge	—	—	4,810,335
Bank loan – Senior term	—	—	8,384,208
Preference share liabilities	25,847,566	25,847,566	320,351
	<hr/>	<hr/>	<hr/>
	26,487,697	26,533,182	14,354,965
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The bank loan bridge is repayable in 2011, however it becomes repayable in 45 days in the event of a flotation, sale or change of control of the entity.

The bank loan senior is repayable in stages until 2010, however it becomes repayable in 45 days in the event of a flotation, sale or change of control of the entity.

20. Trade and other payables: current

	<i>2003</i>	<i>2004</i>	<i>2005</i>
	£	£	£
Trade creditors	1,293,022	2,100,863	3,063,616
Taxation and social security	390,879	361,580	196,333
Other creditors	1,398,918	1,339,024	2,703,920
Accruals and deferred income	2,660,989	3,663,861	4,902,160
	<hr/>	<hr/>	<hr/>
	5,743,808	7,465,328	10,866,029
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

21. Provisions: current

	<i>Provision for claims £</i>
At 31 December 2003 and 2004	—
Transferred from non-current provisions	489,311
Utilisation of provision	(188,480)
Release of provision	(146,471)
Exchange rate movements	(16,063)
	<hr/>
At 31 December 2005	138,297
	<hr/> <hr/>

The provisions relate to claims against the Group and the associated costs of defending those claims. The provisions are expected to be utilised within the next year.

22. Deferred tax asset

	<i>Recognised 2003, 2004 and 2005 £</i>		<i>Un-recognised 2003 2004 2005 £</i>	
Accelerated capital allowances	—	930,886	1,116,228	787,408
Losses carried forward	—	6,380,765	8,927,130	10,269,717
	<hr/>	<hr/>	<hr/>	<hr/>
	—	7,311,651	10,043,358	11,057,125
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Subject to agreement with the Inland Revenue the Group has United Kingdom tax losses of approximately £8,971,000 at 31 December 2005 (2004: £8,802,000; 2003: £9,709,000) available to relieve future trading profits in the United Kingdom. Additionally, the Group has overseas losses of £17,866,000 at 31 December 2005 (2004: £18,400,000; 2003: £9,110,000) available to relieve future overseas trading profits.

No deferred tax asset is recognised in relation to these losses due to inherent uncertainty regarding their recoverability.

23. Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. It is Group policy to obtain credit evaluations or a deposit covering several months' revenue for all companies.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Interest rate risk

The Group is exposed to interest rate fluctuations on its variable rate long term borrowing. The Group aims to obtain funding to meet its business needs at competitive rates of interest.

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

	2003					
	Interest rate	Total £	1 year or less £	1-2 years £	2-5 years £	More than 5 years £
Cash and cash equivalents	0.1%	1,288,421	1,288,421	—	—	—
Bank loans	8.84%	(339,213)	(339,213)	—	—	—
Redeemable Preference Shares*	20.00%	(25,847,566)	(25,847,566)	—	—	—
Finance lease liabilities*	8.77%	(2,215,712)	(300,918)	(247,070)	(741,210)	(926,514)
		<u>(27,114,070)</u>	<u>(25,199,276)</u>	<u>(247,070)</u>	<u>(741,210)</u>	<u>(926,514)</u>

* These assets/liabilities bear interest at a fixed rate

	2004					
	Interest rate	Total £	1 year or less £	1-2 years £	2-5 years £	More than 5 years £
Cash and cash equivalents	1.4%	1,816,251	1,816,251	—	—	—
Redeemable Preference Shares*	20.00%	(25,847,566)	(25,847,566)	—	—	—
Finance lease liabilities*	7.70%	(2,896,869)	(685,612)	(655,445)	(936,431)	(619,381)
		<u>(26,928,184)</u>	<u>(24,716,927)</u>	<u>(655,445)</u>	<u>(936,431)</u>	<u>(619,381)</u>

* These assets/liabilities bear interest at a fixed rate

	2005					
	Interest rate	Total £	1 year or less £	1-2 years £	2-5 years £	More than 5 years £
Cash and cash equivalents	2.1%	4,446,340	4,446,340	—	—	—
Bank loans – CIT senior term – Euro	EURIBOR + 3.5%	(4,020,066)	(4,020,066)	—	—	—
Bank loans – CIT senior term – Sterling	LIBOR + 3.5%	(4,250,000)	(4,250,000)	—	—	—
Bank loans – CIT Bridge	EURIBOR + 3.5%	(4,810,335)	(4,810,335)	—	—	—
Bank loans – CIT PIK	EURIBOR + 3.5%	(79,110)	(79,110)	—	—	—
Shareholder loan*	20.00%	(5,555,556)	—	(5,555,556)	—	—
Deep Discount Bonds*	20.00%	(1,765,877)	—	(1,765,877)	—	—
Redeemable Preference Shares*	20.00%	(320,351)	(320,351)	—	—	—
Finance lease liabilities*	7.44%	(2,638,186)	(830,489)	(619,101)	(827,821)	(360,775)
		<u>(18,993,141)</u>	<u>(9,864,011)</u>	<u>(7,940,534)</u>	<u>(827,821)</u>	<u>(360,775)</u>

* These assets/liabilities bear interest at a fixed rate

Fixed rate liabilities

	2003		2004		2005	
	<i>Weighted average interest rate</i>	<i>Weighted average period</i>	<i>Weighted average interest rate</i>	<i>Weighted average period</i>	<i>Weighted average interest rate</i>	<i>Weighted average period</i>
Finance leases	8.77%	8.33 years	7.70%	5.75 years	7.44%	4.67 years
Shareholder loan	20.00%	2 years	20.00%	2 years	20.00%	2 years
Deep Discount Bonds	—	—	—	—	20.00%	2 years
Priority Preference shares	20.00%	*	20.00%	*	20.00%	*

* The interest rate on redeemable Preference Shares is fixed until such time as they are redeemed in accordance with the terms of these instruments.

Foreign currency risk

The Group is exposed to profit and loss foreign currency risk on sales, purchases and borrowings denominated in a currency other than the functional currency of the Group entity.

The Group hedges some of its exposure to foreign currency risk by ensuring sales, purchases and borrowings are denominated in the currency appropriate to the related transaction. It is not Group policy to enter into hedging arrangements to mitigate foreign exchange risk.

The Group is exposed to foreign currency risk on the translation of overseas subsidiaries into Sterling.

The majority of borrowings are in the functional currency of the entity of which they are being used as funding.

Net assets by currency:

	<i>Net Assets in local currency</i>		
	2003	2004	2005
Sterling	(25,423,256)	(29,026,395)	(2,839,943)
Euro	19,982,302	20,781,689	16,821,212
Swiss Franc	1,656,200	11,095	416,974
Swedish Kronor	71,178	101,178	63,527
Danish Kronor	92,797	108,047	—

Sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short term fluctuations on the Groups earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

At 31 December 2005, it is estimated that a general increase of one percentage point in interest rates would increase the Group's loss before tax by approximately £86,250 (2004: £3,911; 2003: £24,309).

It is estimated that a general increase of one percentage point in the value of the British Pound against other foreign currencies would increase the Group's loss before tax by approximately £37,262 (2004: £6,962; 2003: £50,794).

Fair values

To the extent that financial instruments are not carried at fair value in the consolidated balance sheet, book value approximates to fair value at 31 December 2003, 2004 and 2005.

24. Commitments

Operating leases

Future minimum lease payments under non-cancellable operating leases are as follows:

	<i>Land & buildings</i> 2003 £	<i>Other</i> 2003 £
Within one year	2,924,475	—
In two to five years	12,610,431	—
In more than five years	19,253,097	—
	<u>34,788,003</u>	<u>—</u>

	<i>Land & buildings</i> 2004 £	<i>Other</i> 2004 £
Within one year	3,469,215	140,198
In two to five years	13,630,698	228,979
In more than five years	16,381,433	56,865
	<u>33,481,346</u>	<u>426,042</u>

	<i>Land & buildings</i> 2005 £	<i>Other</i> 2005 £
Within one year	4,433,141	136,538
In two to five years	17,370,530	210,052
In more than five years	20,443,434	—
	<u>42,247,105</u>	<u>346,590</u>

At 31 December 2005, the Group had committed capital expenditures for the development of IX Data Centres of £2,214,571 (2004: £175,510; 2003: £17,000).

Future minimum lease receivables under non-cancellable operating leases are as follows:

	<i>Land & buildings</i> 2003 £	<i>Land & buildings</i> 2004 £	<i>Land & buildings</i> 2005 £
Group			
Within one year	—	—	139,173
In two to five years	—	—	330,535
	<u>—</u>	<u>—</u>	<u>469,708</u>

25. Pension commitments

Certain Group companies participate in The Group Personal Pension Plan which is a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The pension charge represents contributions payable by the Group to the fund and amounted to £173,501 (2004: £202,876; 2003: £178,462). Contributions payable at the year end amounted to £16,059 (2004: £12,919; 2003: £12,619).

A Group company operates a post-employment pension scheme for its employees of a defined benefit nature. A provision has been made of £183,016 (2004: £119,108; 2003: £Nil) in respect of the deficit arising on this scheme at 31 December 2005.

26. Related parties

Identity of related parties

The Group has a related party relationship with its subsidiaries (see note 28) and with its directors and executive officers.

Transactions with key management personnel

Key management personnel compensation is disclosed in Note 6.

Directors' interests

The beneficial interest of the Directors in the share capital of the Company at the beginning and the end of the year, together with particulars of their holdings were:

	<i>Company</i>	<i>Class of share</i>	<i>Interest at 31 December 2003</i>	<i>Interest at 31 December 2004</i>	<i>Interest at 31 December 2005</i>
Southshire Ltd (Guy Willner)	IX Europe plc	Ordinary	—	—	3,169,096
	IX Europe plc	“A” Ordinary	100	100	—
	IX Europe plc	Deferred Shares	46,500	46,500	46,500
Nightshade Ltd (Christophe de Buchet)	IX Europe plc	Ordinary	—	—	3,169,095
	IX Europe plc	“A” Ordinary	100	100	—
	IX Europe plc	Deferred Shares	25,244	25,244	25,244
Sir Anthony Cleaver	IX Europe plc	Ordinary	—	—	283,667
	IX Europe plc	“G” Ordinary	44	44	—
	IX Europe plc	Deferred Shares	3,956	3,956	3,956
	IX Europe plc	Preferred ordinary	3,572	3,572	—
Richard Mead	IX Europe plc	Ordinary	—	—	141,032
	IX Europe plc	“G” Ordinary	13	13	—
	IX Europe plc	Deferred Shares	2,987	3,987	3,987
	IX Europe plc	Preferred ordinary	993	993	—
Karen Bach	IX Europe plc	Ordinary	—	—	407,822

Guy Willner and Christophe de Buchet are potential beneficiaries in discretionary trusts. These trusts own the investment companies, Southshire Ltd and Nightshade Ltd, which are ordinary shareholders of the Company.

Robert Mason is a director of EAC Fund II GP Limited, the general partner of EAC Limited Partnership II and European Acquisition Capital Limited, which are both shareholders in the Company. Erick Rinner is a Director of European Acquisition Capital Limited.

None of the other directors who held office at the end of the financial year, or their immediate families, had any disclosable interest in the shares of the Group companies.

In the year, Directors' interests in options in the Company were surrendered as follows:

		<i>Options held as at 31 December 2005</i>	<i>Options held as at 1 January 2005</i>
Sir A Cleaver	"E" Ordinary	—	73,438
R Mead	"E" Ordinary	—	73,437
K Bach	"E" Ordinary	—	293,750

Loans

Shareholders have provided loans to the Company of £7,321,433. See note 16 for further details.

Other

There were no other related party transactions at any time during the year.

27. Subsequent events

Capital reduction

On 1 March 2006, the High Court approved an application by IX Europe plc for a reduction of capital of £45,000,000. This has the effect of reducing share premium by £45,000,000 and crediting a special reserve.

28. Group entities

Control of the group

The Company believes there is no overall controlling party.

Significant subsidiaries

	<i>Country of Incorporation</i>	<i>Principal activity</i>	<i>Class of share held</i>	<i>Percentage held</i>
Interconnect Exchange Europe Limited	England	Provision of neutral data centre and hosting services	Ordinary shares	100%
Interconnect Exchange Europe SAS	France	Provision of neutral data centre and hosting services	Ordinary shares	100%
IX Europe (Switzerland) AG	Switzerland	Provision of neutral data centre and hosting services	Ordinary shares	100%
IX Europe GmbH	Germany	Provision of neutral data centre and hosting services	Ordinary shares	100%
Interconnect Exchange Europe GmbH	Germany	Provision of neutral data centre and hosting services	Ordinary shares	100%
InteliSite BV	Netherlands	Holding company	Cumulative preferred shares and Ordinary shares	100%
IX Services Limited	England	Management company	Ordinary shares	100%
IX Corporation Limited	England	Holding company	Ordinary shares	100%
IX Investments Limited	England	Holding company	Ordinary shares	100%
Interconnect Exchange Europe AB	Sweden	Dormant	Ordinary shares	100%
Interconnect Exchange Europe Srl	Italy	Non-operational	Ordinary shares	100%
Interconnect Exchange Europe Sl	Spain	Non-operational	Ordinary shares	100%
IX Europe Real Estate GmbH	Germany	Property	Ordinary shares	100%
Gesellschaft für Informationstechnologie und Consulting mbH	Germany	Business continuity	Ordinary shares	100%

With the exception of IX Corporation Limited, all subsidiaries are owned indirectly. Interconnect Exchange Europe AB and Interconnect Exchange Europe Srl are in liquidation at 31 December 2005.

PART 4

PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

The following unaudited *pro forma* statement of net assets of the Group following the Admission and the Placing has been prepared for illustrative purposes only to provide information about the impact of the Admission and the Placing on the Group. This statement has been prepared for illustrative purposes only and because of its nature may not give a true reflection of the financial position of the Group. It has been prepared on the basis that the Admission and the Placing was undertaken as at 31 December 2005 and on the basis set out in the notes:

	<i>Adjustments</i>				<i>Pro forma net assets of the Group</i>
	<i>As at 31 December 2005 (note 1)</i>	<i>Adjustment 1 (note 2)</i>	<i>Adjustment 2 (note 3)</i>	<i>Adjustment 3 (note 4)</i>	
	£	£	£	£	£
Non-current assets					
Property, plant and equipment	27,556,247	—	—	—	27,556,247
Intangible assets	3,595,865	—	—	—	3,595,865
Other receivables	4,500,619	—	—	—	4,500,619
	<u>35,652,731</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>35,652,731</u>
Current assets					
Debtors	3,895,473	—	—	—	3,895,473
Cash at bank and in hand	4,455,925	8,485,231	(6,645,533)	—	6,295,623
	<u>8,351,398</u>	<u>8,485,231</u>	<u>(6,645,533)</u>	<u>—</u>	<u>10,191,096</u>
Current Liabilities					
Interest bearing loans and borrowings	14,354,965	—	(4,810,335)	(320,351)	9,224,279
Trade and other payables	10,866,029	—	—	—	10,866,029
Provisions	138,297	—	—	—	138,297
	<u>25,359,291</u>	<u>—</u>	<u>(4,810,335)</u>	<u>(320,351)</u>	<u>20,228,605</u>
Non-current liabilities					
Interest bearing loans and borrowings	9,129,128	—	(1,765,877)	(5,555,556)	1,807,695
Other financial liabilities	792,935	—	—	—	792,935
Provisions	183,016	—	—	—	183,016
	<u>10,105,079</u>	<u>—</u>	<u>(1,765,877)</u>	<u>(5,555,556)</u>	<u>2,783,646</u>
Net assets	<u><u>8,539,759</u></u>	<u><u>8,485,231</u></u>	<u><u>(69,321)</u></u>	<u><u>5,875,907</u></u>	<u><u>22,831,576</u></u>

Notes:

The *pro forma* statement of net assets has been prepared on the following basis:

1. The net assets of the Group as at 31 December 2005 have been extracted from the Accountants' Report set out in Part 3 of this document.

Adjustments:

2. Estimated cash receipts less fees payable.
3. Repayment of Deep Discount Bonds and Bridge loan at rates payable as at 31 December 2005.
4. Conversion of Shareholder loan and Priority Preference shares.
5. No adjustments have been made to reflect the trading results of the Group since the balance sheet date.

PART 5

ADDITIONAL INFORMATION

1. Responsibility Statement

Each of the Directors of the Company, whose names appear on page 4 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors, having taken all reasonable care to ensure such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation and registered office

- 2.1 The Company was incorporated and registered in England and Wales on 28 June 1999 as a private limited company under the Act with the name, De Facto 782 Limited and with registered number 3796971. On 19 July 1999, the Company changed its name to IX Holdings Limited. On 23 August 2000, the Company changed its name to IX Europe Limited. On 13 October 2000, it re-registered as a public limited company with the name IX Europe plc.
- 2.2 The principal legislation under which the Company operates is the Act and the regulations made thereunder. The liability of the members is limited.
- 2.3 The Company's registered office is at Airport Gate, Unit 1, Bath Road, West Drayton, Middlesex, UB7 0NA and its telephone number is 020 7689 1400. The Company's head office and principal place of business is Crown House, 72 Hammersmith Road, London W14 8TH.
- 2.4 The principal activity of the Company is that of a holding company for the Group's data storage businesses.

3. Share capital

- 3.1 Set out below are the details of (A) the authorised and issued share capital of the Company immediately prior to Admission and (B) the authorised and issued share capital of the Company as it will be immediately following Admission (assuming all the New Ordinary Shares are placed):

(A) Immediately prior to Admission

<i>Class of share</i>	<i>Nominal value</i>	<i>Authorised</i>	<i>Issued and fully paid up</i>
Ordinary Shares	1p	11,559,881	9,146,944
B ordinary shares	1p	38,024,379	37,528,288
Priority preference shares	1p	15,390,779	4,850,000
Deferred shares	1p	819,872,408	816,372,408
Total		884,847,447	867,897,640

(B) Immediately following Admission

<i>Class of share</i>	<i>Nominal value</i>	<i>Authorised</i>	<i>Issued and fully paid up</i>
Ordinary Shares	1p	250,000,000	172,584,323

- 3.2 Upon incorporation, the authorised share capital of the Company was £1000 divided into 1000 ordinary shares of £1 each.
- 3.3 As at 3 April 2003, 3 years prior to the date of this document, the authorised share capital of the Company was £8,848,474.47 divided into the following share classes:
- (A) 3,500,000 super priority preference shares of 1p each;
 - (B) 24,000,000 priority preference shares of 1p each;
 - (C) 827,424 preferred ordinary shares of 1p each;
 - (D) 200 A ordinary shares of 1p each;
 - (E) 87,457 B ordinary shares of 1p each;

- (F) 16,056 C ordinary shares of 1p each;
 - (G) 18,881 D ordinary shares of 1p each;
 - (H) 2,378,000 E ordinary shares of 1p each;
 - (I) 46,256,142 F ordinary shares of 1p each;
 - (J) 100 G ordinary shares of 1p each; and
 - (K) 807,763,187 deferred shares of 1p each.
- 3.4 As at 3 April 2003, 3 years prior to the date of this document, the issued share capital of the Company was £8,678,976.40 divided into the following share classes:
- (A) 200 A ordinary shares of 1p each;
 - (B) 87,457 B ordinary shares of 1p each;
 - (C) 45,760,051 F ordinary shares of 1p each;
 - (D) 100 G ordinary shares of 1p each;
 - (E) 13,459,221 priority preference shares of 1p each;
 - (F) 827,424 preferred ordinary shares of 1p each; and
 - (G) 807,763,187 deferred shares of 1p each.
- 3.5 During the 3 years prior to the date of this document the following changes were made to the authorised and issued share capital of the Company:
- (A) pursuant to resolutions passed at the same time as the Company's current articles of association were adopted on 28 December 2005 the share capital of the Company was restructured (the "Restructuring") such that the authorised share capital was converted and re-designated as follows:
 - (1) all of the 3,500,000 authorised but unissued super priority preference shares were converted and re-designated into deferred shares;
 - (2) all of the 16,056 authorised but unissued C ordinary shares were converted and re-designated into ordinary shares;
 - (3) all of the 18,881 authorised but unissued D ordinary shares were converted and re-designated into ordinary shares;
 - (4) all of the 2,378,000 authorised but unissued E ordinary shares were converted and re-designated into ordinary shares; and
 - (5) all of the 496,091 authorised but unissued F ordinary shares were converted and re-designated into B ordinary shares;
 - (B) pursuant to the Restructuring the issued share capital was converted and re-designated as follows:
 - (1) all of the 200 issued A ordinary shares were converted and re-designated into ordinary shares;
 - (2) all of the 100 issued G ordinary shares were converted and re-designated into ordinary shares;
 - (3) of the 827,424 issued preferred ordinary shares, 8,137 were converted and re-designated into ordinary shares and the remaining 819,287 issued preferred ordinary shares were converted and re-designated into B ordinary shares;
 - (4) all of the 45,760,051 issued F ordinary shares were converted and re-designated into B ordinary shares;
 - (5) of the 13,459,221 issued priority preference shares, 8,609,221 were converted and re-designated into deferred shares and the remaining 4,850,000 issued priority preference shares were not re-designated or converted; and
 - (6) following the conversions and re-designations outlined above, 9,138,507 B ordinary shares were converted and re-designated into ordinary shares and the remaining 37,528,288 issued B ordinary shares were not re-designated or converted; and
 - (C) by a resolution dated 06 February 2006 it was resolved that the share premium account of the Company be reduced by £45,000,000 (the "Reduction") and the Reduction became effective on 6 March 2006.

- 3.6 Following the Restructuring and the Reduction and immediately prior to Admission (but not taking into account the resolutions referred to at paragraph 4 below) the authorised share capital of the Company was divided into the following share classes:
- (A) 11,559,881 ordinary shares of 1p each;
 - (B) 38,024,379 B ordinary shares of 1p each;
 - (C) 15,390,779 priority preference shares of 1p each; and
 - (D) 819,872,408 deferred shares of 1p each.
- 3.7 Following the Restructuring and the Reduction and immediately prior to Admission (but not taking into account the resolutions referred to at paragraph 4 below) the issued share capital of the Company was divided into the following share classes:
- (A) 9,146,944 ordinary shares of 1p each;
 - (B) 37,528,288 B ordinary shares of 1p each;
 - (C) 4,850,000 priority preference shares of 1p each; and
 - (D) 816,372,408 deferred shares of 1p each.
- 3.8 Immediately prior to Admission, convertible shareholder loans totalling £4,000,000 were outstanding in favour of EAC and the BA Investor. Such loans will be converted immediately prior to Admission, such that each of EAC and the BA Investor receive 2,000,000 priority preference shares of 1p each in the share capital of the Company on conversion. Those priority preference shares will be immediately converted into Ordinary Shares and EAC and the BA Investor shall each be entitled to receive further Ordinary Shares by way of a bonus issue, in each case pursuant to the resolutions set out in paragraph 4 below.
- 3.9 Immediately prior to Admission the Company's authorised share capital will be £8,848,474.47 comprising of 884,847,447 shares and the Company's issued share capital will be £8,678,976.40 comprising of 867,897,640 shares.
- 3.10 The Company's current articles of association state that, in the event of the admission of the whole of any class of the share capital of the Company to trading on AIM, the shareholders shall procure that their respective holdings of shares other than ordinary shares in the Company are reorganised by way of conversion to ordinary shares or deferred shares. An explanation of the conversion and re-designation of any class of the Company's share capital not being ordinary shares or deferred shares is set out in the resolutions at paragraph 4 below.
- 3.11 The New Ordinary Shares in issue following Admission will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after Admission on the Enlarged Share Capital.
- 3.12 The allotment of the New Ordinary Shares is conditional upon Admission and therefore the New Ordinary Shares will be issued with effect from Admission.
- 3.13 Save as summarised in paragraphs 5 and 12 of this Part 5, there are no restrictions on the free transferability of the New Ordinary Shares.
- 3.14 There have been no public takeover bids by third parties with respect of the Ordinary Shares since incorporation.
- 3.15 There are no mandatory takeover bids in existence in relation to the existing share capital of the Company and there are no squeeze-out and sell-out rules governing the Ordinary Shares.
- 3.16 The allotment and issue of the New Ordinary Shares will result in a dilution of 26.4 per cent. to the holders of the Ordinary Shares at the date of Admission.

4. Resolutions

- 4.1 By resolutions passed on 22 March 2006, it was resolved, *inter alia*, that in each case conditional upon, and with effect immediately prior to, or as appropriate, at Admission:
- (A) following the cancellation of all of the issued and unissued but authorised deferred shares of 1p each in nominal value pursuant to Resolution (D) below, the authorised share capital of the Company be increased to £1,500,000 in nominal value comprising 150,000,000 Ordinary Shares of 1p each in nominal value;
 - (B) the existing articles of association of the Company and, to the extent necessary, the new Articles of Association of the Company referred to in Resolution (J) below, be varied pro tanto so as to permit all of the matters set out in the terms of these resolutions;

- (C) the transfer to the Company of all the 816,372,408 issued deferred shares of 1p each in nominal value (being all the issued deferred shares of the Company) pursuant to deeds of gift be approved notwithstanding the articles of association of the Company from time to time;
- (D) conditional upon completion of the transfer to the Company of all of the 816,372,408 issued deferred shares referred to in Resolution (C) above, such 816,372,408 deferred shares and 3,500,000 authorised but unissued Deferred Shares of 1p each in nominal value (together being all the deferred shares in the capital of the Company), be cancelled and the share capital of the Company be reduced accordingly;
- (E) conditional upon the passing of Resolution (H)(3) below and the issue of shares pursuant thereto, and notwithstanding the provisions contained in the Company's articles of association from time to time, the Directors be authorised to make a bonus issue as they determine of up to 12,140,439 Ordinary Shares of 1p each in nominal value, to each of the existing priority preference shareholders (including those priority preference shareholders allotted priority preference shares pursuant to Resolution (H)(3) below) on a non-preemptive basis subject to such arrangements as the Directors may think fit to deal with fractional entitlements. Each such Ordinary Share shall have the rights and be subject to the restrictions set out in the articles of association of the Company from time to time;
- (F) conditional upon the passing of Resolution (E) above and Resolution (H)(3) below, and notwithstanding the provisions contained in the Company's articles of association from time to time each priority preference share of 1p in nominal value be converted into one Ordinary Share of 1p each in nominal value each such Ordinary Share having the rights and being subject to the restrictions set out in the articles of association of the Company from time to time;
- (G) notwithstanding the provisions contained in the Company's articles of association from time to time each B ordinary share of 1p in nominal value be converted into one Ordinary Share of 1p in nominal value, each such Ordinary Share having the rights and being subject to the restrictions set out in the articles of association of the Company from time to time;
- (H) in substitution for all existing such authorities previously conferred on the directors, for the purposes of section 80 of the Act the directors be generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (as defined in the said section) up to such number of additional shares by which the authorised share capital is being increased pursuant to Resolution (A) above provided that such authority shall be limited to:
- (1) allotments of equity securities (as defined in section 94(2) of the Act) in connection with the placing of Ordinary Shares in the capital of the Company in relation to Admission;
 - (2) allotments of equity securities in connection with the grant of options over Ordinary Shares in the capital of the Company in accordance with the Company's unapproved Share Option Scheme as substantially in the form marked for identification purposes and as attached hereto; and
 - (3) notwithstanding the provisions contained in the articles of association of the Company from time to time, any other agreement between any shareholders of the Company and any other existing authority, allotments of equity securities (including priority preference shares of 1p each in nominal value) to give effect to any duly exercised conversion rights pursuant to any convertible shareholder loan entered into prior to the date of this notice by any shareholder(s) with the Company;
- together the "Initial Allotments"; and
- (4) the allotment of relevant securities up to an aggregate nominal amount equal to one third of the aggregate nominal amount of all Ordinary Shares in issue and fully paid immediately after Admission,
- and provided that this authority shall expire on the earlier of fifteen months following the passing of this resolution and the conclusion of the next annual general meeting of the Company but may be previously revoked or varied from time to time by the Company in a general meeting and so that the Company may before such expiry, revocation or variation make an offer or agreement which would or might require relevant securities to

be allotted after such expiry, revocation or variation and the Directors may allot relevant securities in pursuance of such offer or agreement as if such authority had not expired or been revoked or varied;

(I) subject to and conditional upon the passing of Resolution (H) and notwithstanding the provisions contained in the Company's Articles of Association from time to time, the Directors be and are hereby empowered pursuant to section 95 of the Act to allot equity securities as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

(1) the Initial Allotments;

(2) allotment of equity securities in connection with a rights issue, open offer or other pre-emptive offer in favour of holders of Ordinary Shares and any other persons who, under the terms of the equity securities that they hold, are entitled to participate in such issue or offer where the equity securities offered to each such holder and other person are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held or deemed to be held by them on the record date applicable to such issue or offer, but subject to such exclusions or other arrangements as the Directors may deem fit to deal with fractional entitlements, legal or practical problems arising under the laws of any overseas territory, the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or by virtue of any other matter whatever; and

(3) the allotment of equity securities having an aggregate nominal value of up to 5 per cent. of the aggregate nominal amount of all Ordinary Shares in issue and fully paid immediately after Admission,

and the power conferred by this resolution shall only be exercisable by the Directors acting with unanimous agreement and shall expire on the earlier of fifteen months following the passing this resolution and the conclusion of the next annual general meeting of the Company but may be previously revoked or varied from time to time by special resolution and so that the Company may before such expiration, revocation or variation make an offer or agreement which would or might require equity securities to be allotted after such expiry, revocation or variation, and the directors may allot equity securities in pursuance of such offer or agreement as if such power had not expired or been revoked or varied;

(J) the new Articles of Association of the Company, be adopted as the articles of association of the Company pursuant to Section 9 of the Act in substitution for, and to the exclusion of, the existing articles of association and the new Articles of Association be and are hereby approved; and

(K) each shareholder of the Company hereby consents for the purposes of the articles of association of the Company from time to time and for the purposes of all agreements entered into between any shareholders of the Company and for all other purposes, to the passing of each of the Resolutions set out above and to any matters implemented in connection therewith on such terms as the Directors of the Company determine.

4.2 By resolutions passed on 3 April 2006, it was resolved, inter alia, that in each case conditional upon and with effect immediately prior to, or as appropriate, at Admission the authorised share capital of the Company be increased to £2,500,000 in nominal value comprising 250,000,000 Ordinary Shares of 1p each in nominal value and to extend authorities in the same form as those set out in paragraphs 4.1(H) and (I) above to apply in respect of such increased authorised share capital.

4.3 The provisions of section 89 of the Act (which confers on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be paid up fully in cash, other than by way of allotment to employees under an employee share scheme as defined in section 743 of the Act) will apply to the balance of the authorised but unissued ordinary share capital of the Company (to the extent such rights are not disapplied by special resolution of the shareholders pursuant to section 95 of the Act in accordance with paragraph (I) above or otherwise).

4.4 Save in respect of the Placing, none of the Ordinary Shares have been marketed or are available in whole or in part to the public in conjunction with the application for the Ordinary Shares to be admitted to AIM. The Ordinary Shares are in registered form and are capable of being held

in uncertificated form and will be admitted to CREST with effect from Admission. In connection with the Placing, temporary documents of title will not be issued; however, it is expected that share certificates for those who wish to hold shares in certificated form, will be posted on or before 24 April 2006 or as soon as thereafter practicable. None of the Company's share capital is in bearer form.

4.5 Save as disclosed in paragraphs 3, 4 and 6 of this Part 5:

- (A) there has been no change in the amount of the issued share or loan capital of the Company and no material change in the amount of the issued share or loan capital of any member of the Group (other than intra-group issues by wholly-owned subsidiaries) in the three years preceding the date of this document;
- (B) no commission, discounts, brokerages or other special terms have been granted by the Company or any other member of the Group in connection with the issue or sale of any share or loan capital of the Company or any other member of the Group in the three years preceding the date of this document;
- (C) save as disclosed in this Part 5 there are no acquisition rights or obligations over authorised but unissued share capital of the Company and there is no undertaking to increase the share capital;
- (D) there are no arrangements in force involving the employees in the capital of the Company;
- (E) no founder management or deferred shares have been issued by the Company; and
- (F) no amount or benefit has been paid or is to be paid or given to any promoter of the Company.

4.6 Save as disclosed in this Part 5, the Company has not issued any securities not representing the share capital and there are no outstanding convertible securities, exchangeable securities or securities with warrants issued by the Company.

5. Memorandum and Articles of Association and statutory matters affecting Shareholders

5.1 Memorandum of Association

The Memorandum of Association of the Company provides that its principal object includes to carry on the business of a holding company in all its branches and to acquire by purchase, lease, concession, grant, licence or otherwise and hold such businesses, options, rights, privileges, lands, buildings, leases, underleases, stocks, shares, debentures, debenture stock, bonds obligations, securities, reversionary interests, annuities, policies of assurance and other property and rights and interests in property as the Company shall deem fit and generally to hold, manage, develop, lease, sell or dispose of the same and to vary any of the investments of the Company, to act as trustees of any deeds constituting or securing any debentures, debenture stock or other securities or obligations, to enter into, assist, or participate in financial, commercial, mercantile, industrial and other transactions, undertakings and businesses of every description etc. The principal objects of the Company are set out in clause 3 of its Memorandum (which is available for inspection at the address specified in paragraph 15 below).

5.2 Articles of Association

The Articles to be adopted conditionally upon Admission pursuant to a special resolution of the Company passed on 22 March 2006 include provisions to the following effect:

(A) Voting

Subject to any special terms as to voting upon which shares may be issued or may for the time being be held, and any restrictions on voting referred to under the heading "Restrictions on Voting" in paragraph 5.2(B) below, on a show of hands every Shareholder who is present in person at a general meeting of the Company (which includes a person present as the duly authorised representative of a corporate member acting in that capacity) shall have one vote and on a poll every Shareholder who is present in person or by proxy shall have one vote for every ordinary share held by him.

(B) Restrictions on voting

The Board may preclude a Shareholder from attending or voting at any general meeting of the Company or at any separate meeting of the holders of any class of share of the Company or from exercising any other right in relation to any meeting of the Company or any class of shareholders, if such member or other person appearing to be interested or to have been

interested in the shares held by such member fails to comply with a notice served under the Act requiring the disclosure of information concerning the interests in the shares concerned within 14 days following the date of service or deemed service of such notice.

(C) Dividends

No dividends shall be payable otherwise than out of profits available for that purpose under the provisions of the Act.

The Company may, by ordinary resolution, declare dividends not exceeding an amount recommended by the Board.

The Board may in so far as, in its opinion, the profits of the Company justify such payments, pay interim dividends from time to time of such amounts and on such dates and in respect of such periods as it thinks fit. The Board may also in so far as, in its opinion, the profits of the Company justify such payments, pay any fixed dividend on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for payment.

Unless, and to the extent that, the rights attaching to or the terms of issue of any shares otherwise provide, all dividends must, as regards any shares not fully paid throughout the period in respect of which the dividend is paid, be apportioned and paid *pro rata* according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes, no amount paid in advance of a call upon the members shall be treated as paid on the shares.

The Board may, in respect of any dividend declared or paid on or before the date of the fifth annual general meeting of the Company after the date of the adoption of the Articles and thereafter with the sanction of any ordinary resolution of the Company, offer Shareholders the right to receive shares, credited as fully paid in whole or in part by way of scrip dividend instead of cash. The Board has a wide discretion to decide the terms on which such offer shall be made.

The Board may withhold dividends payable on shares representing not less than 0.25 per cent. by number of the issued shares of any class after there has been a failure to comply with any notice requiring the disclosure of information relating to interests in the shares concerned as referred to in paragraph 5.2(B) above.

Any dividend unclaimed after a period of 12 years after such dividend became payable shall be forfeited and revert to the Company.

(D) Winding Up

A liquidator of the Company may, with the authority of an extraordinary resolution and subject to any provision sanctioned in accordance with the Act, divide amongst the members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for such purpose, set such values as he deems fair upon any assets to be divided and may determine how such division shall be carried out between the members or different classes of members.

(E) Variation of rights

Whether or not the Company is being wound up, the rights attaching to any class of shares for the time being in issue may, subject to the provisions of the Act, be varied or abrogated with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class.

(F) Transfer of shares

The Articles provide for shares to be held in CREST accounts, or through another system for holding shares in uncertificated form, such shares being referred to in the Articles as "Uncertificated Shares". CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument.

Subject to such specific restrictions in the Articles as may be applicable, any member may transfer all or any of his shares at any time. In the case of shares represented by a certificate ("Certificated Shares"), the transfer must be made by an instrument of transfer in the usual common form or in any other form which the Board may approve. A transfer of an

Uncertificated Share need not be in writing, but must comply with such rules as the Board shall make in relation to the transfer of such shares, a CREST transfer being acceptable under the current rules.

The instrument of transfer of a Certificated Share must be signed by or on behalf of the transferor and (in the case of a partly paid share) the transferee, and the transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register of members.

The Board may, in its absolute discretion and without giving any reason, decline to register any transfer of a share which is not fully paid up or on which the Company has a lien, but such discretion may not be exercised to prevent dealings in listed shares from taking place on an open and proper basis.

The Board may also refuse to register a transfer unless:

- (1) in the case of a Certificated Share, the duly stamped instrument of transfer is lodged with the registrars for the time being of the Company accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require;
- (2) in the case of a Certificated Share, the instrument of transfer is in respect of only one class of share; and
- (3) in the case of a transfer to joint holders of a Certificated or an Uncertificated Share, the transfer is in favour of not more than four such transferees.

In the case of Uncertificated Shares, the Board may refuse to register a transfer if the Uncertificated Securities Regulations 2001 allow it to do so, and must do so where such regulations so require.

The Board may also decline to register a transfer of shares if they represent at least 0.25 per cent. in number of their class and there has been a failure to comply with a notice requiring disclosure of interests in the shares (as referred to in paragraph 5.2(B) above). Such refusal may continue until the failure has been remedied, but the Board may not decline to register:

- (1) a transfer of shares to any *bona fide* unconnected third party; or
- (2) a transfer made pursuant to the provisions of the Act concerning powers of compulsory purchase in respect of a takeover offer.

No transfer of any share shall be made to a bankrupt or a person who is mentally disordered or a patient for the purpose of any statute relating to mental health.

(G) Alterations of capital

The Company may by resolution increase its share capital, consolidate and sub-divide its shares, cancel any shares which have not been taken or agreed to be taken by any person or convert all or any of its paid up shares into stock and re-convert that stock into paid up shares of any denomination.

The Company may by ordinary resolution, subject to the provisions of the Act, direct that any new shares shall be offered in the first instance to all the holders for the time being of shares of any class or classes in proportion to the number of such shares held by them respectively or may make any other provision as to the issue of the new shares.

The Company may by special resolution, subject to any consent or confirmation required by law, reduce its authorised and issued share capital, any capital redemption reserve, any share premium account or other undistributable reserve in any manner.

(H) Non-UK Shareholders

Shareholders with addresses outside the United Kingdom are not entitled to receive notices from the Company unless they have given the Company an address within the United Kingdom at which such notices may be served.

(I) Purchase of own shares

The Company may, subject to the provisions of the Act, the Articles and any confirmation or consent required by law, purchase its own shares (including any redeemable shares) provided that, if there are in issue any convertible shares of the Company, no purchase by the Company of any of its own shares shall take place unless it has been sanctioned by an extraordinary resolution passed at a separate general meeting of the holders of each class of convertible shares.

(J) Untraced Shareholders

Subject to various notice requirements, the Company may sell any shares in the Company of a Shareholder if, during a period of 12 years, at least three cash dividends on such shares have become payable and all cheques or warrants for amounts payable to such Shareholder in respect of his shares have remained uncashed and the Company has received no communication from such Shareholder.

(K) Borrowing powers

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any of its undertaking, property and assets (present and future) and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or any third party.

The Board must restrict the Borrowings (as defined in the Articles) of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure (so far as this is practicable in relation to subsidiary undertakings) that the aggregate principal amount outstanding of all Borrowings of the Group (exclusive of Borrowings owing by one member of the Group to another member of the Group, other than amounts to be taken into account under the Articles) shall not, without the previous sanction of an ordinary resolution of the Company, at any time exceed an amount equal to four times the Adjusted Capital and Reserves (as defined in the Articles).

These borrowing powers may be varied by an alteration to the Articles which would require a special resolution of the members.

(L) Directors

(1) Number of directors

Unless otherwise determined in accordance with the Articles, the directors (disregarding alternate directors and any EAC director) shall be not less than two and not more than ten in number.

EAC shall have the right to appoint one person to the Board as a non-executive Director for so long as EAC and/or any EAC Associates (as defined in the Articles) together shall hold not less than ten per cent. of the entire issued share capital of the Company and to remove such person for any reason whatsoever and to appoint another person in his/her place.

Without prejudice to EAC's right to appoint a non-executive director to the Board, no shareholding qualification for Directors shall be required.

(2) Rotation and age of directors

At every annual general meeting all directors (other than any EAC Director (as defined in the Articles)) who then have held office for three years or more must retire from office, but if these directors, together with any other directors voluntarily retiring at the meeting, represent less than a third of the directors (but not including any EAC Director for the purpose of calculating this total number), additional directors (apart from any EAC Director) must then retire to bring the number retiring up to one third of the directors, those retiring being the directors who have been longest in office. There is no age limit for the appointment or retirement of a director, and it is not necessary to give special notice of any resolution appointing or approving the appointment of a director by reason only of his age.

(3) Remuneration of directors

Until otherwise determined by the Company by ordinary resolution, the directors (other than alternate directors) shall be entitled to such remuneration by way of fees for their services in the office of director as the directors may determine (not exceeding £300,000 in aggregate per annum or such larger amount as the Company may by ordinary resolution decide) divided between the directors as they agree, or, failing agreement, equally, except that any director who shall hold office for part only of the period to which the remuneration relates shall only be entitled to a *pro rata* amount of such remuneration. The fees shall be distinct from any salary, remuneration or other amount payable to him pursuant to other provisions of these Articles and shall be deemed to accrue from day to day.

Any director who is the holder of any executive office is entitled to such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and either in addition to, or in lieu of, his remuneration as a director.

Any director who, by request, goes or resides abroad for any purposes of the Company or who performs services which, in the opinion of the Board, go beyond the ordinary duties of a director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) or may receive such other benefits as the Board may determine.

Each director is entitled to be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board or meetings of members and to be paid all expenses properly and reasonably incurred by him in the conduct of the Company's business or on the discharge of his duties as a director.

(4) Pensions and allowances

The Board may on behalf of the Company exercise all the powers of the Company to grant pensions, annuities, gratuities, superannuation or other allowances and benefits in favour of any person, including any director or former director, or the relations or dependants of any director or former director.

Unless the Articles otherwise permit, no benefits may be granted to or in respect of a director or former director who has not been employed by, or held an executive or other office or place of profit under the Company or any of its present or former subsidiaries or any predecessor in business of the Company or any such subsidiaries, without the approval of an ordinary resolution of the Company.

(M) Restrictions on voting

Save as set out below, a director may not vote (or be counted in the quorum) on any resolution of the Board in respect of any transaction in which he has an interest which to his knowledge is a material interest, and if he does so his vote shall not be counted.

Subject to the provisions of the Act, and in the absence of some other material interest, this prohibition does not apply to a director in relation to:

- (1) the giving to a director of any guarantee, security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of the Company or any of its subsidiary undertakings;
- (2) the giving by the Company or any of its subsidiary undertakings of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings in respect of which he himself has given an indemnity or which he has guaranteed or secured in whole or in part;
- (3) any transaction involving the subscription by him of shares, debentures or other securities of the Company or any of its subsidiaries issued or to be issued pursuant to any offer or invitation to the members or debenture holders of the Company or any class thereof or to the public or to his underwriting or sub-underwriting of the same;
- (4) any transaction in which he is interested by virtue of his interest in shares, debentures or other securities of the Company or by reason of any interest in or through the Company;
- (5) any transaction concerning any other company (not being a company in which he owns 1 per cent. or more of the equity shares or voting rights) in which he is interested, directly or indirectly, whether as an officer, shareholder, creditor or otherwise howsoever;
- (6) any transaction concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefits scheme that relates both to directors and employees of the Company or of any of its subsidiaries and that does not accord to him any privilege or advantage not generally accorded to employees;
- (7) any transaction concerning any insurance which the Company is empowered to purchase and/or maintain for the benefit of the directors, being insurance against any liability incurred by them in the course of their duties;

- (8) any arrangement for the benefit of employees of the Company or any of its subsidiaries under which he benefits in a similar manner to the employees and which does not accord to him any privilege or advantage not generally accorded to the employees to whom such arrangement relates (including, without limitation, any savings related share option scheme or profit sharing scheme approved by the Inland Revenue); and
- (9) (save in relation into any matter concerning or directly affecting his own participation therein) the adoption or modification of any share option and share incentive scheme of the Company.

(N) Indemnity

Subject to the provisions of the Act, the Company may, to the maximum extent permitted by law:

- (a) indemnify any person who is or was a director, directly or indirectly (including by funding any expenditure incurred or to be incurred by him), against all liabilities, costs, charges and expenses incurred by him in the execution and discharge of his duties to the Company or any associated company (a "Claim"), and pay the reasonable legal and other expenses incurred by the director in defending any Claim (whether in relation to civil or criminal proceedings); and/or
- (b) purchase and maintain insurance for any person who is or was a director against any loss or liability incurred by him in connection with any negligence, default, breach of duty or breach of trust by him or otherwise, in relation to the Company or any associated Company.

(O) General Meetings

Pursuant to the Act an annual general meeting is required to be held every year at such time and place as may be determined by the Board. No more than 15 months may elapse between the holding of any two successive annual general meetings. The Board may convene an extraordinary general meeting whenever it thinks fits. Extraordinary general meetings may also be convened on the requisition of the members pursuant to the Act.

At least 21 clear days' notice of every annual general meeting and of every extraordinary general meeting at which it is proposed to pass a special resolution and at least 14 clear days' notice of every other extraordinary general meeting shall be given to the members and to the auditors of the Company. Every notice of meeting shall specify the place, day and time of the meeting and, in the case of special business, the general nature of that business and shall also state with reasonable prominence that a member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not also be a member. In the case of a meeting convened for passing a special or extraordinary resolution the notice shall specify the intention to propose the resolution as a special or extraordinary resolution (as the case may be). Members, proxies of members and corporate representatives of members are entitled to attend general meetings.

No business shall be transacted at a general meeting unless a quorum is present, but the absence of a quorum shall not preclude the appointment of a chairman. The quorum for a general meeting is two members present in person or by proxy and entitled to vote.

5.3 Notice of 3% interests

Section 198 of the Act requires that a person who acquires an interest in 3% or more of the issued voting shares of the Company must, within two business days of such acquisition, or of his becoming aware of the facts constituting his acquisition of the interest, notify the Company of his interest. If he later ceases to have such an interest, or he acquires or disposes of an interest in 1% or more of the issued voting shares of the Company he must notify this to the Company within two business days and such notification obligations continue until his interest has dropped below 3%. An "interest" is widely defined and includes an interest of any kind in the shares subject to certain specific exclusions, but includes, *inter alia*, an agreement to purchase shares or the right to do so by virtue of an option and the interests to be notified include those of companies which the person controls and the interests of his spouse and infant children. Where a person is party to an agreement between two or more persons which includes provision for the acquisition by any one or more of them of interests in shares of the Company, the interests of all such persons are aggregated for the purposes of the notification provisions

and each party is required to notify not only his own interests and changes therein but those of the other parties to the agreement. All notifications received under these provisions will be made available to the market.

THE ABOVE INFORMATION CONCERNING NOTIFICATIONS OF 3% INTERESTS IS ONLY A SUMMARY OF SOME VERY COMPLICATED PROVISIONS. IF YOU ARE UNCERTAIN OF THEIR APPLICATION IN A PARTICULAR CASE YOU ARE RECOMMENDED TO TAKE LEGAL ADVICE.

6. Share Option Scheme

The Scheme will be administered by the Remuneration Committee. The main features of the Scheme may be summarised as follows:

Eligibility

All employees and directors of the Group who are nominated by the Remuneration Committee are eligible to participate provided that they are required under their employment terms to devote substantially the whole of their working time to the business of the Group.

Grants of Options

Grants of options may normally be made within 42 days after either the date on which the Scheme is adopted by the Company or the announcement of the Company's interim or final results in each year. Options may also be granted at other times to new employees or directors or in other circumstances determined by the Remuneration Committee to be exceptional. No options may be granted more than 10 years after the date the Scheme is adopted by the Company.

Option Price

Where options are granted when the Ordinary Shares are not listed on the main list of the London Stock Exchange, the option price per Ordinary Share is the highest of (a) the amount determined as the market value of the Ordinary Share at the date of grant by the Remuneration Committee; (b) if the shares are listed on any other market of the UK Listing Authority, the average of the middle market quotations for the Ordinary Share (as derived from the official list of the London Stock Exchange) during the three dealing days prior to the date on which an option is granted to a participant; or (c) the nominal value of an Ordinary Share.

Where options are granted when the Ordinary Shares are listed on the main list of the London Stock Exchange, the option price per Ordinary Share is the amount equal to the average of the middle market quotations for the Ordinary Share (as derived from the official list of the London Stock Exchange) during the three dealing days prior to the date on which an option is granted to a participant (or the nominal value of an Ordinary Share if greater).

In the event of a variation in the share capital of the Company, the option price and the number of ordinary shares comprised in each option may be adjusted in such manner as the auditors of the Company advise to be fair and reasonable. No adjustment may be made which will reduce the option price below the nominal value of an Ordinary Share.

Individual Limits

In the first twelve months following the adoption of the Scheme, no option may be granted to a participant if this would, at the date of grant, cause the total of the aggregate market value of Ordinary Shares comprised in such option together with the aggregate market value of any Ordinary Shares remaining issuable pursuant to options granted under any other share option scheme established by the Company to exceed four times his annual basic salary.

In any subsequent twelve month period following the adoption of the Scheme, no option may be granted to a participant if this would, at the date of grant, cause the total of the aggregate market value of Ordinary Shares comprised in such option together with the aggregate market value of any ordinary shares remaining issuable pursuant to options granted under any other share option scheme established by the Company to exceed one time his annual basic salary.

Rights and Restrictions

An option granted under the Scheme is not transferable and generally may only be exercised within the period of three to ten years after the date of grant except in circumstances referred to below. The

exercise of an option will be subject to such performance-related conditions as the Remuneration Committee may determine. In certain circumstances, the Remuneration Committee may waive or vary the performance conditions.

In respect of the first grant of options, the Remuneration Committee has determined that each option shall, subject to the conditions described below, vest in three equal tranches following the signing of the Company's annual accounts for each of the years ending 31 December 2006, 2007 and 2008. 75 per cent. of each tranche will vest if the EBITDA Targets are achieved and the balance of each tranche will vest if the Space Targets are achieved.

The EBITDA Targets measure the Company's earnings before interest, tax, depreciation and amortisation and will be calculated after excluding (a) the costs of the Placing and Admission (including any costs associated with renegotiating loan facilities and the special bonus payable to one of the Company's employees) and (b) the EBITDA of any business acquired subsequent to the admission of shares to AIM. In the event that the EBITDA Target was missed in respect of 2006, the relevant tranche of the option would still vest if the combined EBITDA Targets for 2006 and 2007 were achieved. In the event that the EBITDA Target was missed in respect of 2007, the relevant tranche of the option would still vest if the combined EBITDA Targets for 2007 and 2008 were achieved.

The Space Targets measure the specific level of space available at all the Company's datacentres. In the event that the Space Target was missed in 2006, the relevant tranche of the option would still vest if the Space Target was met in 2007 and if the Space Target was missed in 2007, the relevant tranche would still vest if the Space Target was met in 2008.

An option is exercisable within a limited period if the option holder ceases to be employed within the Group by reason of: disability, ill-health, redundancy or retirement; or because his employing company ceases to be a member of the Group; or because his employing business is being transferred out of the Group; or, at the discretion of the Remuneration Committee, for any other reason. The personal representatives of an option holder may exercise an option within 12 months of the death of the option holder.

Options are exercisable within a limited period in the event of a takeover of the Company and will in certain circumstances lapse if not so exercised, but may alternatively, with the agreement of the acquiring company, be exchanged for options over the acquiring company's shares.

Options are exercisable within a limited period in the event of the voluntary winding-up of the Company.

While options are exercisable early, the number of shares that can be acquired will be pro-rated on a time-elapsed basis.

Allotment of Ordinary Shares

The Ordinary Shares allotted under the Scheme will rank *pari passu* with the Company's issued Ordinary Shares save that any allotment made after the earlier of the date of announcement of a proposed dividend or other distribution and the record date of a proposed dividend or other distribution will be made upon terms that the Ordinary Shares so allotted are not entitled to participate therein.

Scheme Limits

The aggregate number of Ordinary Shares issued or remaining issuable under the Scheme on any date of grant together with the number of Ordinary Shares issued or remaining issuable pursuant to options granted within the previous ten years under any other scheme (not being schemes which require options to be offered generally to all employees or all employees fulfilling conditions as to length of service) approved by the Company in general meeting may not exceed 5 per cent. of the number of Ordinary Shares in issue immediately before the date of grant.

The aggregate number of Ordinary Shares issued or remaining issuable under the Scheme on any date of grant together with the number of Ordinary Shares issued or remaining issuable pursuant to options granted in the previous ten years under all the share schemes of the Company may not exceed ten per cent of the number of Ordinary Shares in issue immediately before the date of grant.

Alteration

The Remuneration Committee may alter the Scheme except that (apart from minor amendments to benefit the administration of the Scheme, to take account of a change in legislation or to obtain or

maintain favourable tax, exchange control or regulatory treatment for eligible employees, participants or the Group) no alteration to the advantage of participants can be made to various defined terms and certain provisions relating to selection of eligible employees, grant of options, limitations on grant, option period, variation of capital, takeover or the like and rights of shares issued under options without the prior approval of shareholders in general meeting.

7. Directors' and other interests

- 7.1 The Directors and their functions in the Company are set out in Part 1 of this document under the heading "Officers, Directors and key employees".
- 7.2 Each of the Directors can be contacted at the Company's registered office at Airport Gate, Unit 1, Bath Road, West Drayton, Middlesex, UB7 0NA.
- 7.3 The interests of the Directors and their immediate families and persons connected with them (within the meaning of section 346 of the Act), all of which, unless otherwise stated, are beneficial, in the issued share capital of the Company (excluding their interests in options which are set out below) which (i) have been notified by each Director to the Company pursuant to sections 324 or 328 of the Act, or (ii) which are required to be entered in the register of directors' interests maintained under section 325 of the Act or (iii) are interests of a person connected with a Director which would, if the connected person were a Director, be required to be disclosed under paragraphs (i) or (ii) above and the existence of which is known to, or could with reasonable diligence be ascertained by, that Director, (a) as at the date of this document and (b) as they will be immediately following Admission are as follows:

(A) At the date of this document

<i>Name</i>	<i>No. of Ordinary Shares</i>	<i>No. of Deferred Shares</i>	<i>No. of B Ordinary Shares</i>	<i>No. of Priority Preference Shares</i>	<i>% of existing issued voting share capital⁴</i>
Sir Anthony Cleaver	283,667	3,956	0	0	0.55
Guy Willner ¹	3,169,096	46,500	0	0	6.15
Christophe de Buchet ²	3,169,095	25,244	0	0	6.15
Karen Bach	407,822	0	0	0	0.79
Richard Mead	141,032	3,987	0	0	0.27
Erick Rinner ³	0	3,036	196	17	0.0004

This table shows the position at the date of this document and does not take into account the dilutive effect of the resolutions referred to in paragraph 4.1.

¹ Guy Willner is a potential beneficiary in a discretionary trust. This trust owns the investment company Southshire Limited which is an ordinary shareholder of the Company.

² Christophe de Buchet is a potential beneficiary in a discretionary trust. This trust owns the investment company Nightshade Limited which is an ordinary shareholder of the Company.

³ Pursuant to section 346(4) of the Act, Erick Rinner is associated with European Acquisition Capital by virtue of his interest in European Acquisition Capital's equity share capital. European Acquisition Capital holds B ordinary shares, priority preference shares and deferred shares in the Company.

⁴ This calculation excludes deferred shares which do not entitle holders to capital or voting rights.

(B) Immediately following Admission⁵

<i>Name</i>	<i>No. of Ordinary Shares</i>	<i>% of enlarged issued ordinary share capital</i>
Sir Anthony Cleaver	283,667	0.16
Guy Willner ⁶	3,169,096	1.83
Christophe de Buchet ⁶	3,169,095	1.83
Karen Bach	407,822	0.24
Richard Mead	141,032	0.08
Erick Rinner ⁶	623	0.0004

⁵ As detailed in paragraph 4 of part 5 of this document by resolutions passed on 22 March 2006, with effect from and subject to Admission each of the B ordinary shares and priority preference shares in issue shall be converted and re-designated into Ordinary Shares and each of the deferred shares shall be cancelled.

⁶ See notes 1, 2 and 3 above.

- 7.4 The following Directors will, conditional on Admission, hold options to subscribe for the number of Ordinary Shares set out against their respective names below, which are being granted to them under the terms of the Share Option Scheme:

<i>Director</i>	<i>No. of Ordinary Shares under option</i>	<i>Option price</i>	<i>Expiry Date</i>
Guy Willner	1,258,427	22p	6 April 2006
Christophe de Buchet	1,258,427	22p	6 April 2006
Karen Bach	1,258,427	22p	6 April 2006

- 7.5 Save as disclosed in this paragraph 7, none of the Directors, their immediate families, nor any person connected with any Director (within the meaning of section 346 of the Act) will at Admission have any interest, whether beneficial or non-beneficial, in any share or loan capital of the Company or any of its subsidiaries.

- 7.6 In addition to the interests disclosed in paragraph 7.3 above, so far as the Company is aware, the interests, direct or indirect, of persons (other than interests held by the Directors) in three per cent. or more of the Company's issued share capital (excluding deferred shares which do not entitle holders to capital or voting rights) at the date of this document were and, immediately following Admission are expected to be, as follows:

<i>Shareholder</i>	<i>Number of issued shares held as at 3 April 2006</i>	<i>Class(es) of issued shares held as at 3 April 2006</i>	<i>Number of issued Ordinary Shares held immediately following Admission</i>	<i>% of issued Ordinary Shares held immediately following Admission</i>
Southshire Limited	3,169,096	Ordinary shares	3,169,096	1.83
Nightshade Limited	3,169,095	Ordinary shares	3,169,095	1.83
EAC Fund II GP Limited (as General Partner of EAC Fund II Limited Partnership) ²	18,140,267	B ordinary shares and priority preference shares ¹	50,730,558	29.39
IX Holdings L.L.C.	20,917,727	B ordinary shares and priority preference shares ¹	58,414,997	33.84

¹ As detailed in paragraph 4 of this Part 5, by a resolution passed on 22 March 2006, with effect from and subject to Admission each of the B ordinary shares and priority preference shares in issue shall be converted and re-designated into Ordinary Shares.

² On or around Admission, the legal title of this shareholder's holding will be transferred to a nominee.

All of the above shareholders either hold ordinary shares or B ordinary shares conferring, on a poll, one vote per share, or priority preference shares which confer voting rights in the circumstances specified in the Company's articles of association in force at the date of this document.

- 7.7 Save as disclosed in this paragraph 7, the Company is not aware of any person whom as at the date of this document, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.
- 7.8 Save as disclosed in this paragraph 7, the Company is not aware of any person who will, immediately following Admission, directly or indirectly, jointly or severally, exercise or could exercise control over the Company and there are no currently subsisting arrangements of which the Company is aware which may result in a change in the control of the Company at any future date.
- 7.9 Save as disclosed in paragraphs 3, 6, 7.4 and 13 of this Part 5, no share or loan capital of the Company or any of its subsidiary undertakings is under option or is or will immediately following Admission be agreed conditionally or unconditionally to be put under option and no convertible or exchangeable securities of the company are or will be in issue.
- 7.10 No outstanding loans or guarantees have been granted or provided to or for the benefit of any Director by the Company or any of its subsidiaries.

8. Directors' service agreements, letters of appointment and emoluments

- 8.1 (A) Each of the Directors have, or will have prior to Admission, a letter of appointment or a service agreement with the Company which sets out the basic terms and conditions of employment. Details of such agreements (including salary arrangements for the year ended 31 December 2005) are set out below.
- (B) The employment of each of the executive Directors may be terminated by either the Company or the executive Director provided that not less than 12 months' notice is given to the other party. The Company may also, in its sole and absolute discretion, pay salary together with any accrued holiday entitlement in lieu of notice or an unexpired part thereof in any case where it might otherwise give notice to terminate.
- (C) The salaries of executive Directors are subject to annual review.
- (D) Under each of the executive service agreements, the executive Directors are entitled to an annual bonus to be determined by the Board. In addition the executive Directors are entitled to receive the benefit of private health insurance for the executive, the executive's spouse and dependent children under the age of 18, life insurance with a minimum level of cover of four times the executive's annual salary and a company car or a company car allowance.
- (E) Each executive Director's service agreement contains restrictive covenants relating to confidentiality, non-competition and non-solicitation.
- (F) All of the Directors have been granted indemnities by the Company to the maximum extent permitted by sections 309A and 309B of the Act, save that such indemnities will not apply to the extent that any recovery is made under any policy of insurance or liability arises from any dishonest or fraudulent conduct of the relevant Director or Directors or from any wrongful or fraudulent trading or any similar act which is capable of being set aside in the liquidation or administration of the relevant company.
- (G) Sir Anthony Cleaver was appointed as a Non-executive Director and Chairman of the Company in July 1999. The terms of his employment are governed by a letter of appointment (which takes effect subject to Admission) dated 15 March 2006.
- (H) Richard Mead was appointed as a Non-executive Director of the Company as of 14 July 1999. The terms of his appointment are governed by a letter of appointment (which takes effect subject to Admission) dated 14 March 2006.
- (I) Erick Rinner was appointed as a Non-executive Director in July 1999. It is expected that the terms of his appointment will be governed by a letter of appointment on similar terms as for the other Non-executive Directors to be entered into prior to and to take effect subject to Admission.
- 8.2 Save as aforesaid, there are no existing or proposed service agreements between any of the Directors and the Company or any of its subsidiaries.
- 8.3 No Non-executive Director is eligible to participate in any incentive or pension arrangements.
- 8.4 There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year ending 31 December 2005.
- 8.5 In the financial year ended 31 December 2005, the basic annual salary paid by the Company or any of its subsidiaries to each of the Directors were as set out in the table below:

<i>Name of Director</i>	<i>Basic Annual Salary</i> £
Guy Willner	150,000
Christophe de Buchet	150,000
Karen Bach	107,500

It is estimated that the aggregate amounts payable to the Directors under the arrangements in force at the date of this document (including salaries, fees, bonus payments, benefits in kind and pension contributions) from the Company or any of its subsidiaries in respect of the financial year ending 31 December 2006 will be approximately £712,000 (not including performance related bonuses which are dependent on the financial performance of the Group during the relevant period).

8.6 The Directors have the management and other expertise set out in Part 1 of this document under the heading “Officers, Directors and key employees”.

8.7 The table below states the names of all companies (other than the Company) and partnerships of which the Directors have been a director or partner at any time during the period of five years immediately preceding the date of this document:

<i>Director</i>	<i>Current Directorships</i>	<i>Former Directorships</i>
Sir Anthony Cleaver	Foundation for Science and Technology Lockheed Martin UK Holdings Limited SThree Plc Working Links (Employment) Limited The Links Foundation Limited Medical Research Council The Nuclear Decommissioning Authority	The Council for Excellence in Management and Leadership Bermuda Asset Management Limited The Strategic Partnership (London) Limited Interconnect Exchange Europe Limited AEA Technology Plc Smith & Nephew Plc Involvement and Participation Association UK eUniversities Worldwide Limited
Guy Willner	IX Investments Limited IX Corporation Limited Interconnect Exchange Europe Limited IX Services Limited IX Europe (Switzerland) AG Intelisite BV	Interconnect Exchange Solutions Limited
Christophe de Buchet	Interconnect Exchange Europe Limited IX Investments Limited IX Services Limited IX Corporation Limited Intelisite BV IX Europe (Switzerland) AG	Interconnect Exchange Europe GmbH IX Europe GmbH Interconnect Exchange Europe Srl Interconnect Exchange Europe AB
Karen Bach	IX Investments Limited IX Services Limited IX Corporation Limited Interconnect Exchange Europe Limited	Interconnect Exchange Solutions Limited
Richard Mead	Stonemartin Plc	Fastrack Resources Group Limited Fenics Limited Interconnect Exchange Europe Limited Staff-Line Recruitment Limited Scuffs (Cosmetic Repairs) Limited Leapfrog Day Nurseries (Trading) Limited Leapfrog Day Nurseries Limited Hills Plc Hills Electrical & Mechanical Plc Citicourt & Co. Limited T.D. Ridley & Sons Limited Richard Mead & Co.
Erick Rinner	EAC Holdings Limited 5aSecBV GES International SA Winnicare SA	Sequoia Organisation Limited Renaissance BV

8.8 Save as set out above none of the Directors has or has had any business interests nor performs any activities outside the Group which are significant with respect to the Group.

8.9 The following Directors have been a director of a company which has, in the five years ending on the date of this document, been placed in receivership, compulsory liquidation, creditors voluntary liquidation or administration or entered into a company voluntary arrangement or any compensation or arrangements with its creditors while they were a director or senior manager of that company or during the twelve months following their resignation:

Christophe de Buchet	Interconnect Exchange Europe Srl Interconnect Exchange Europe AB
Richard Mead	Scuffs (Cosmetic Repairs) Limited Fastrack Resources Limited
Sir Anthony Cleaver	UK eUniversities Worldwide Limited

8.10 As disclosed in paragraph 8.7 above, Sir Anthony Cleaver was the chairman of UK eUniversities Worldwide Limited which received funding from the UK government. This company has entered into a company voluntary arrangement. The Education Select Committee carried out an investigation of the Company. Following this investigation, the Education Select Committee criticised the non-executive directors of the company who were members of its remuneration committee for the bonuses approved by this committee and subsequently paid to senior staff. Sir Anthony Cleaver was not a member of the company's remuneration committee but did receive a bonus which he believes was properly awarded and fully justified.

8.11 Save as disclosed above, at the date of this document and during the previous five years, none of the Directors:

- (A) has been a director or partner of any company or partnership at any time in the previous five years;
- (B) has been convicted of any offences involving fraud or any other indictable offence;
- (C) has been declared bankrupt or entered into an individual voluntary arrangement;
- (D) was a director of any company at the time of or within twelve months prior to any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors;
- (E) has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangements of such partnership;
- (F) has had its assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of such receivership; or
- (G) has been the subject of any public criticism or sanction by any statutory or regulatory authority (including any designated professional body) or has been disqualified by a court for acting as a director of a company or from acting in the management or conduct of any affairs of a company.

8.12 Save as otherwise disclosed in this document, the Group has not entered into any transactions in which any Director was and remains interested.

8.13 Save as disclosed in paragraph 8.10 above and paragraph 13, none of the Directors has or has had any interest, whether direct or indirect in any transaction or proposed transaction with the Group which remains in any respect outstanding or unperformed.

8.14 None of the Directors has, or has had any interest whether direct or indirect, in any assets which have been acquired by, disposed of by, or leased to, any member of the Group or which are proposed to be acquired by, or leased to, any member of the Group.

8.15 None of the Directors or members of their families (as such expression is defined in the AIM Rules) holds a financial product whose value in whole or in part is determined directly or indirectly by reference to the price of the Company's securities.

8.16 All Directors who hold shares have entered into the agreements as further described in paragraph 12 below.

8.17 Save as disclosed in paragraphs 5 and 13 of this Part 5, there are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any Director was selected as a Director.

9. Subsidiary undertakings

9.1 The Company is the holding company of the Group. The principal subsidiary undertakings of the Company and their countries of incorporation are set out in the table below. Save as disclosed, each of these companies is beneficially wholly-owned by a member of the Group and the issued share capital is fully paid.

<i>Name</i>	<i>Country of incorporation</i>	<i>Percentage of issued share capital held directly or indirectly by the Company</i>	<i>Principal activity</i>
IX Corporation Limited	England	100	Holding company
IX Investments Limited	England	100	Holding company
Interconnect Exchange Europe Limited	England	100	Provision of neutral data centre and hosting services
Interconnect Exchange Europe SAS	France	100	Provision of neutral data centre and hosting services
InteliSite B.V.	Netherlands	100	Holding company
Interconnect Exchange Europe GmbH	Germany	100	Provision of neutral data centre and hosting services
IX Services Limited	England	100	Management company
Interconnect Exchange Europe AB	Sweden	100	In liquidation
Interconnect Exchange Europe SL	Spain	100	Non-operational
Interconnect Exchange Europe Srl	Italy	99.996	In liquidation
IX Europe Real Estate GmbH	Germany	100	Property Holding Company
IX Europe GmbH	Germany	100	Provision of neutral data centre and hosting services
IX Europe (Switzerland) AG	Switzerland	100	Provision of neutral data centre and hosting services
Gesellschaft für Informationstechnologie und Consulting mbH	Germany	100	Business continuity services

10. Taxation

10.1 UK Taxation

The following comments are general in character and are based on certain aspects of current UK law and Inland Revenue practice. They are intended only for shareholders who are resident or ordinarily resident in the UK for tax purposes and who hold their ordinary shares as investments and who are the beneficial owners thereof. Parts of the summary may not apply to certain classes of Shareholders, such as dealers in securities, or to Shareholders who are not absolute beneficial owners of their shares. Any Shareholder who is in doubt as to his or her tax position or who is or may be subject to tax in a jurisdiction other than the UK should consult an appropriate professional adviser without delay.

10.2 Taxation of dividends

- (i) Under current UK tax legislation, no tax is withheld from dividend payments by the Company.
- (ii) A UK resident individual Shareholder will be entitled to a tax credit in respect of any dividend received from the Company and will be taxed on the aggregate of the dividend and the tax credit (the “gross dividend”). The value of the tax credit is one ninth of the dividend received (or ten per cent. of the gross dividend).

- (iii) In the case of a UK resident individual who is either not liable to income tax or liable at the starting, lower and basic rates only, there will be no further tax to pay. A UK resident individual who is liable to income tax at the higher rate will be subject to income tax on the gross dividend at 32.5 per cent. But will be able to set the tax credit off against part of this liability. In general, a UK resident Shareholder who is not liable to income tax on the dividend (or part of it) is not able to claim payment of the tax credit in cash from the Inland Revenue.
- (iv) A UK resident corporate Shareholder will not normally be liable to UK taxation on any dividend received. UK resident corporate Shareholders (including authorised unit trusts and open-ended investment companies) and pension funds are not entitled to payment in cash of the related tax credit.
- (v) Whether Shareholders who are resident for tax purposes in countries other than the UK are entitled to the whole or a proportion of the tax credit in respect of dividends on their shares depends in general upon the provisions of any double taxation convention or agreement which exists between such countries and the UK. In addition, individual Shareholders who are resident in countries other than the UK but who are Commonwealth citizens, nationals of member states of the European Economic Area or fall within certain other categories of person within Section 278 of the Income and Corporation Taxes Act 1988 are entitled to the entire tax credit which they may set against their total UK income tax liability. Such Shareholders should consult their own tax advisers on the possible application of such provisions and any relief or credit which may be claimed in respect of such tax credit in their own jurisdictions. However, in general, cash payments are not recoverable from the Inland Revenue in respect of tax credits.

10.3 Capital Gains

- (i) Shareholders who are resident or ordinarily resident for tax purposes in the UK may, depending upon their individual circumstances, be liable to UK taxation on chargeable gains on a disposal of shares.
- (ii) A Shareholder who is not resident or ordinarily resident for tax purposes in the UK will not be liable to UK taxation on chargeable gains unless the Shareholder carries on a trade, profession or vocation in the UK through a branch or agency in the UK and the shares are, or have been, used, held or acquired for the purposes of such trade, profession or vocation or for the purposes of such branch or agency.
- (iii) A shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than 5 years and who disposes of the ordinary shares during that period may also be liable on his return to UK taxation of chargeable gains.
- (iv) UK resident shareholders within the charge to corporation tax may be subject to UK corporation tax on capital gains on a disposal of Ordinary Shares.

10.4 Inheritance Tax

Ordinary Shares are assets situated in the UK for the purposes of UK inheritance tax. A gift of Ordinary Shares by, or the death of, an individual Shareholder may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the Shareholder is neither domiciled nor deemed to be domiciled in the UK.

10.5 Stamp Duty and Stamp Duty Reserve Tax

- (i) No stamp duty or stamp duty reserve tax (SDRT) will be payable on the issue of Ordinary Shares pursuant to the Offer unless the Ordinary Shares are acquired for the purposes of an arrangement for the provision of clearance services or the issue of depository receipts. The Company will not be responsible for the payment of stamp duty or stamp duty reserve tax in any such case. Where Ordinary Shares are held in certificated form, no stamp duty or SDRT will arise on a transfer of such Ordinary Shares into CREST unless such transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise. Paperless transfers of Ordinary Shares within CREST will be liable to SDRT rather than stamp duty.

- (ii) Any transfer on sale of Ordinary Shares outside CREST will give rise to a liability on the purchaser to *ad valorem* stamp duty or SDRT, in the case of stamp duty usually at the current rate of 0.5 per cent. of the consideration paid (and rounded up to the next £5) and, in the case of SDRT, normally at the rate of 0.5 per cent. of the consideration paid.

11. Securities Laws

No action has been taken or will be taken in any jurisdiction other than the United Kingdom that would permit a public offering of the Ordinary Shares, or possession or distribution of this document or any other offering material in any country or jurisdiction where action for that purpose is required.

The distribution of this document and the offer of Ordinary Shares in certain overseas jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Ordinary Shares have not and will not be registered under the United States Securities Act of 1933 (as amended) and may not be offered or sold within the United States. The Ordinary Shares are being offered and sold outside the United States in reliance on Regulation S under the United States Securities Act of 1933 (as amended).

12. Placing arrangements and Lock-In Agreements

12.1 Pursuant to the Placing Agreement, Investec has agreed, subject to the fulfilment of certain conditions, to procure subscribers for (or, failing which, themselves to subscribe for) the New Ordinary Shares at the Placing Price.

12.2 The underwriting obligations of Investec are subject to certain conditions. These conditions include, among others, the absence of any breach of representation or warranty under the Placing Agreement and Admission taking place not later than 7 April 2006 (or such later date as may be agreed between the Company and Investec, being not later than 31 May 2006). When Admission occurs, Investec will be subject to an unconditional obligation to subscribe for and/or purchase such of those New Ordinary Shares not agreed to be taken up by other Placees.

12.3 Under the Placing Agreement:

- (A) the Company has agreed to pay to Investec a corporate finance fee of £150,000 and an aggregate underwriting, management and selling commission of 3.75 per cent. of the aggregate value of the New Ordinary Shares at the Placing Price;
- (B) the Company has agreed to pay all other costs and expenses of and incidental to the Placing and/or the application for Admission including, without limitation, all printing, distribution, and publication costs, London Stock Exchange fees, the fees of the Registrars and all accountancy, legal and other professional fees and expenses (including the legal fees of Investec), together with added value tax on such costs;
- (C) the Company and the Directors have given certain warranties to Investec as to the accuracy of the information in this document and as to other matters relating to the Group and its business; and
- (D) the Company has given an indemnity to Investec for itself (and as trustee for associated companies, directors and employees) in respect of certain liabilities arising out of or in connection with the carrying out by Investec of its obligations under the Placing Agreement and/or out of or in connection with or by reason of the Placing and Admission and certain indemnities have been given by the Directors (other than Erick Rinner) to the Company and Investec in respect of taxation liabilities of the Company.

12.4 The Placing Agreement may be terminated by Investec if certain circumstances occur at any time before Admission becomes effective, including a material breach of the representations and warranties referred to above and if certain force majeure circumstances arise. If this right is exercised, the Placing will lapse and any monies received in respect of the Placing will be returned to the applicants.

12.5 The Placing Agreement also places restrictions on the transfer of shares by Directors and Separate Shareholders, such that each of the Directors (other than Erick Rinner) and Separate Shareholders undertakes that he will not, at any time within the period commencing on Admission and ending 18 months later, dispose of any Ordinary Shares or any securities derived

from such shares without the consent of Investec other than in certain specified circumstances. Such persons also agree that, during the period commencing 18 months after Admission and ending 12 months later, any disposals of Ordinary Shares by such persons must be made through Investec. Restrictions on the transfer of shares by certain other persons are contained in separate lock-in and orderly market deeds. Further details of these restrictions are set out below.

- 12.6 By the lock in and orderly market deeds between (1) the EAC Investors and EAC Limited, (2) the BA Investor (each a “covenantor”) and each of the Company and Investec, each covenantor undertakes that it will not, at any time within the period commencing on Admission and ending 12 months later, dispose of any Ordinary Shares or any shares derived from such shares without the consent of Investec other than in certain specified circumstances. The covenantors also agree that, during the period commencing 12 months after Admission and ending 12 months later, any disposals of Ordinary Shares by the covenantors must be made in compliance with certain specified orderly marketing arrangements.
- 12.7 It is the intention of the Directors that certain employees of the Group who are not party to the Placing Agreement shall enter into lock-in and orderly market deeds on terms similar to those outlined in paragraph 12.5 above.

13. Material Contracts

Set out below is a summary of each material contract (not being contracts entered into in the ordinary course of business) entered into by any member of the Group (a) within the two years immediately preceding the date of this document and are or may be material to the Group or (b) which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document:

- 13.1 the Placing Agreement and lock-in and orderly market deeds referred to in paragraph 12 of this Part 5;
- 13.2 a relationship agreement made between (1) the Company, (2) the EAC Investors and (3) the BA Investor dated 3 April 2006 under which each EAC Investor and the BA Investor has agreed, conditional on Admission, to certain obligations, on it and its associates, designed to enable the Company to be capable at all times of carrying on business independently of such shareholders and that all transactions and relationships between the Company and any such shareholder or its associate are at arm’s length and on a normal commercial basis. Such obligations will remain in force in respect of the EAC Investors and the BA Investor for as long as they each continue to exercise or control the exercise of 15 per cent. or more of the rights to vote at general meetings of the Company.

The parties to the relationship agreement have agreed that prior approval of a majority of directors not appointed by the EAC Investors will be required for the entering into, amending or terminating of any agreement between any EAC Investor (or respective associate) and the Company and/or the directors appointed by the EAC Investors will be required to abstain from voting on these resolutions.

The relationship agreement provides that both the EAC Investors and the BA investor shall each be entitled to send a representative to attend and speak at, but not to vote at, any meetings of the board of the Company.

Under the relationship agreement, each of the EAC Investors and the BA Investor must not (and must procure that their respective associates or any person or fund over whom they exercise de facto control as to how such person or fund’s moneys are invested, must not) for a period of one year from the date of Admission invest or otherwise control more than 10 per cent. of the issued share capital of any co-location facilities provider (i) whose stated core business is the provision of co-location facilities, (ii) which derives more than 50 per cent. of its turnover from the provision of co-location facilities and (iii) which derives 80 per cent. or more of its turnover from the European Union. For these purposes, a co-location facilities provider means any company or business which is engaged in the provision of co-location facilities. Co-location facilities means neutral co-location facilities designed to provide highly specified managed space in which to house information technology and telecommunications equipment for business.

The relationship agreement prohibits the Company from seeking authority to redeem or purchase its own shares if doing so would give rise to an obligation on an EAC Investor or the BA Investor to make a mandatory offer for the Company under Rule 9 of the City Code on

Takeovers and Mergers (the “City Code”), unless it is conditional upon obtaining a waiver of that obligation by way of independent shareholder vote and otherwise in accordance with the procedure set out in Rule 37 and Appendix 1 to the City Code.

The EAC Investors do not have to requisition a general meeting of the Company to procure any of the matters covered by the relationship agreement. Save as described above, in respect of certain of the obligations of the EAC Investors and the BA Investor, the relationship agreement remains in force in respect of the EAC Investors and the BA Investor respectively, in each case for as long as they each continue to exercise or control the exercise of 10 per cent. or more of the rights to vote at general meetings of the Company;

- 13.3 an investment agreement on 16 July 2002 made between (1) European Acquisition Capital Limited and others, (2) IX Holdings L.L.C. and (3) Guy Willner and others pursuant to which the 4th Round Investors (as defined therein) agreed to invest in aggregate up to £7,500,000 in the Company. Under the terms of the investment agreement, the agreement terminates on Admission;
- 13.4 a senior facilities agreement dated 8 September 2005 between (1) IX Investments Limited, (2) Interconnect Exchange Europe Limited, Interconnect Exchange Europe GmbH, IX Europe (Switzerland) AG, IX Europe GmbH and IX Investments Limited (together, the “Borrowers”), (3) IX Investments Limited, IX Corporation Limited, Interconnect Exchange Europe Limited, Intelisite BV, Interconnect Exchange Europe GmbH, IX Europe (Switzerland) AG, IX Europe GmbH and IX Europe Real Estate GmbH (the “Guarantors”), (4) CIT Bank Limited (the “Arranger”), (5) CIT Capital Finance (UK) Limited (the “Administrative Agent and Security Trustee”) and (6) CIT Bank Limited and CIT Capital Finance (UK) Limited (the “Lenders”), as amended by an amendment deed dated 27 February 2006, pursuant to which the Lender agrees to provide a €16,000,000 term loan facility and a €4,000,000 revolving credit facility to the Borrower (the “Senior Facilities Agreement”). By an accession letter dated 7 March 2006, the Company agreed to accede as an additional guarantor to the Senior Facilities Agreement, the intercreditor deed and the other finance documents relating to this facility. There are provisions in the Senior Facilities Agreement entitling the Lenders to assign any of their rights or benefits or novate any of their rights, benefits and obligations to a new lender with the prior consultation of the Company. The Senior Facilities Agreement contains a general undertaking that no member of the Borrowing Group (which includes the Company) may (a) (i) declare any dividend on or in respect of its share capital, or (ii) repay or distribute any dividend or share premium reserve, or (iii) repay any loan to any holding company of IX Investments Limited or any shareholder of the Company and (b) no Borrower or Guarantor shall pay any dividend in relation to its share capital to a member of the Group which is not as Borrower or Guarantor. Additionally, a change of control of the Company (including a listing of all or any part of the share capital of the Company) or any of its Group companies which includes the Company’s current major shareholders, being the EAC Investors and the BA Investor, ceasing to be actively involved in the Group or a change in the core management of the Group will result in the amounts lent pursuant to the facility becoming immediately repayable;
- 13.5 a mezzanine facility agreement dated 8 September 2005 between (1) IX Europe Real Estate GmbH (the “Borrower”), (2) IX Investments Limited, (3) IX Investments Limited, IX Corporation Limited, Interconnect Exchange Europe Limited, Intelisite BV, Interconnect Exchange Europe GmbH, IX Europe (Switzerland) AG, IX Europe GmbH (the “Guarantors”), (4) CIT Capital Finance (UK) Limited (the “Lender”), (5) CIT Bank Limited (the “Arranger”), (6) CIT Capital Finance (UK) Limited (the “Administrative Agent and Security Trustee”), as amended by an amendment deed dated 27 February 2006, pursuant to which the Lender agrees to provide a €7,000,000 term loan facility to the Borrower (the “Mezzanine Facility Agreement”). By an accession letter dated 7 March 2006, the Company agreed to accede as an additional guarantor to the Mezzanine Facility Agreement, the intercreditor deed and the other finance documents relating to this facility. There are provisions in the Mezzanine Facility Agreement entitling the Lender to assign any of its rights, benefits or novate any of its rights, benefits and obligations to a new lender with the prior consultation of the Company. The Mezzanine Facility Agreement contains a general undertaking that no member of the Borrowing Group (which includes the Company) may (a) (i) declare any dividend on or in respect of its share capital, or (ii) repay or distribute any dividend or share premium reserve, or (iii) repay any loan to any holding company of IX Investments Limited or any shareholder of the Company and (b) no Borrower or Guarantor shall pay any dividend in relation to its share

capital to a member of the Group which is not a Borrower or Guarantor. Additionally, a change of control of the Company including a listing of all or any part of the share capital of the Company or any of its Group companies which includes the Company's current major shareholders, being the EAC Investors and the BA Investor, ceasing to be actively involved in the Group or a change in the core management of the Group will result in the amounts lent pursuant to the facility becoming immediately repayable;

- 13.6 an all assets charge dated 7 March 2006 between (1) the Company and (2) CIT Capital Finance (UK) Limited (the "Security Trustee") pursuant to which the Company granted fixed and floating charges in favour of the Security Trustee over all its undertaking, property, assets and rights as continuing security for the payment or discharge of liabilities owing or incurred by the Company under the Senior Facilities Agreement and the Mezzanine Facility Agreement;
- 13.7 a letter dated 22 March 2006 from CIT Capital Finance (UK) Limited to IX Europe plc and IX Investments Limited pursuant to which the Lenders (as defined in paragraph 13.4 above) have consented to Admission conditional on: (1) the EAC Investors and the BA Investor continuing to own at least 50.01 per cent. of the Company for 12 months from Admission; and (2) the Senior Facility Agreement being amended prior to Admission to amend the change of control provision to apply to a change of control as described in (1), an acquisition of the entire share capital and/or assets and undertaking of the Company and the acquisition of the Company's shares by any person in circumstances where a mandatory offer is triggered under The City Code on Takeovers and Mergers.
- 13.8 an instrument constituting the £4,886,136 Unsecured Subordinated Convertible Deep Discount Bonds 2007 pursuant to which European Acquisition Capital (acting on behalf of EAC Bridge Finance LP) was issued bonds at a discount by the Company. These bonds will be redeemed by the Company following Admission;
- 13.9 an asset purchase agreement dated 17 November 2005 ("the Asset Purchase Agreement") between (1) The Vital International Group Limited ("Vital"), (2) Interconnect Exchange Europe Limited (the "Purchaser") and (3) the Company (as "Guarantor") pursuant to which the Purchaser agreed to purchase a number of assets and contracts as detailed in the Asset Purchase Agreement in deferred instalments. The outstanding amounts to be paid by way of consideration are £1,000,000 to be paid nine months after the date of completion, being 17 August 2006, and £450,000 to be paid on 31 July 2007. Vital and the Purchaser have also entered into a mortgage debenture pursuant to which the Purchaser has granted a charge over various assets (as referred to in the mortgage debenture) to Vital as continuing security for the payment and discharge of the deferred consideration referred to above;
- 13.10 an asset sale and transfer agreement dated 29 September 2005 made between (1) Co-location Center Frankfurt GmbH (the "Seller"), (2) IX Europe GmbH (the "Purchaser") and (3) Joni Brasschaat B.V. pursuant to which the Purchaser acquired the data centre at Frankfurt 2 including its assets, customer and supplier contracts for a total consideration price of €1,881,854 payable in instalments of which the following are outstanding: (1) €100,000 payable on 30 September 2006 and (2) €50,000 payable on 30 September 2007;
- 13.11 a stock purchase agreement dated 26 March 2004 between (1) Telehouse International Corporation of Europe Ltd. (the "Seller") and IX Europe Telehouse Facilities AS (the "Purchaser") pursuant to which the Purchaser acquired the entire issued share capital of Telehouse (Suisse) SA for a consideration price of CHF 1.00 and the assignment of a loan granted by the Seller to Telehouse (Suisse) SA in the amount of CHF 15,252,955. The loan has since been cancelled;
- 13.12 a nominated adviser and broker agreement between the Company and Investec pursuant to which the Company has appointed Investec to act as nominated adviser and broker to the Company for the purposes of AIM. The appointment will commence on Admission and will continue for a period of two years subject to termination on one month's notice or for material breach by either party. The Company has agreed to pay Investec an annual fee of £50,000 for its services under this agreement. The nominated adviser and broker agreement contains certain undertakings and indemnities given by the Company in respect of, among other things, compliance with applicable laws and regulations and the provision to Investec of certain information whilst it remains the Company's nominated adviser and broker.

14. General

14.1 Expenses

The total costs and expenses of and incidental to the Placing, including the fees of the London Stock Exchange and commissions and fees payable of £1,514,769 (inclusive of VAT), are payable by the Company. No expenses of the Placing are being specifically charged to subscribers under the Placing.

14.2 Significant Change

Save as disclosed in the “Current trading and prospects” paragraph set out in Part 1 of this document, there has been no significant change in the financial or trading position of the Group since 31 December 2005, the date to which the Group’s last audited financial statements were published.

14.3 Working Capital

The Directors are of the opinion, having made due and careful enquiry, that taking account of existing cash resources and assuming the receipt of the net proceeds of the Placing, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document.

14.4 Litigation

No member of the Group is or has been engaged in nor, so far as the Company is aware, is there pending or threatened by or against any member of the Group, any governmental, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group’s financial position or profitability.

14.5 Nature of Financial Information

The financial information in this document relating to the Group and, in particular, contained within the Section B of Part 3 does not comprise statutory accounts within the meaning of section 240(5) of the Act. Statutory accounts for the Company for the period from 1 January 2003 to the year ended 31 December 2004 have been delivered to the Registrar of Companies in England and Wales and the statutory accounts for the year ended 31 December 2005 are expected to be delivered to the Registrar of Companies shortly after Admission. The statutory accounts for the years ended 31 December 2003 and 31 December 2004 were audited by KPMG Audit plc and the statutory accounts for the year ended 31 December 2005 were audited by BDO Stoy Hayward LLP both of whom are members of the Institute of Chartered Accountants in England and Wales. Both KPMG Audit plc and BDO Stoy Hayward LLP gave reports pursuant to section 235 of the Act in respect of these accounts and each such report was an unqualified report which did not contain a statement under section 237(2) or (3) of the Act.

14.6 Consents

- (A) Investec has given and has not withdrawn its consent to the inclusion of its name and of the references to its name in the form and context in which they respectively appear.
- (B) BDO Stoy Hayward LLP, the reporting accountant for the purposes of the Placing, have given and have not withdrawn their written consent to the inclusion of their report in Part 3 of this document in the form and context in which it is included.

14.7 Benefits received from the Company

Except as disclosed in this document, no person (excluding professional advisers named in this document and trade suppliers) has received directly or indirectly from the Company within the 12 months preceding the date of this document or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly from the Company or after Admission either fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price or any other benefit with a value of £10,000 or more at the date of Admission. Pursuant to consultancy agreements dated 22 March 2006 and entered into between the Company and certain of its minority shareholders, the Company has undertaken to pay to such persons, conditional on Admission, consultancy fees of €115,000 in aggregate in consideration for services provided to the Company in connection with the arrangements for the Placing and Admission.

14.8 Miscellaneous

- (A) The New Ordinary Shares being placed pursuant to the Placing have a nominal value of 1p each and will be issued at a premium of 21p per share. The Placing Price is payable in full on application.
- (B) The ISIN number for the Ordinary Shares is GB00B11YBH19. The SEDOL number for the Ordinary Shares is B11YBH1.
- (C) The Company's accounting reference date is 31 December.

15. Documents available for inspection

Copies of this document and the following documents may be inspected at the offices of Simmons & Simmons at CityPoint, One Ropemaker Street, London EC2Y 9SS during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of up to and including one month after Admission:

- (A) the Memorandum and the Articles of Association referred to in paragraph 5 of this Part 5;
- (B) the rules of the Share Option Scheme referred to in paragraph 6 of this Part 5 above;
- (C) the Executive Directors' service agreements and Non-executive Directors' letters of appointment referred to in paragraph 8 of this Part 5;
- (D) the material contracts referred to in paragraph 13 of this Part 5 above;
- (E) the letters of consent referred to in paragraph 14.5 of this Part 5;
- (F) the Accountants' Report from BDO Stoy Hayward LLP set out in Part 3 of this document;
- (G) the Pro-forma Statement of Net Assets set out in Part 4 of this document; and
- (H) the audited consolidated accounts of the Group for the three financial years ending 31 December 2005.

Dated: 3 April 2006

DEFINITIONS

The following definitions apply in this document, unless the context otherwise requires:

“Act” or “Companies Act”	the Companies Act 1985 (as amended);
“Admission”	the admission of the Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules;
“AIM”	AIM a market operated by the London Stock Exchange;
“AIM Rules”	the rules for AIM companies published by the London Stock Exchange from time to time;
“Articles of Association” or “Articles”	the articles of association of the Company to be adopted at, and conditional only on, Admission;
“Audit Committee”	the audit committee of the Company duly appointed by the Board;
“BA Investor”	IX Holdings L.L.C.;
“CIT”	CIT Bank Limited or CIT Capital Finance (UK) Limited, as the context requires;
“Combined Code”	the Principles of Good Governance and Code of Best Practice published by the Committee on Corporate Governance in July 2003;
“Company” or “IX Europe”	IX Europe plc;
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001) in respect of which CRESTCo Limited is the Operator (as defined in those Regulations);
“CRESTCo”	CRESTCo Limited;
“CREST Regulations”	The Uncertificated Securities Regulations 2001 (SI 2001 No. 3755);
“Directors” or “Board”	the directors of the Company as at the date of this document, whose names are set out on page 4 of this document;
“EAC Investors”	EAC Opco Limited, EAC Fund II GP Limited, SEB Fonder AB, S-E Banken Fund Management Company S.A., Skandinaviska Enskilda Limited, European Acquisition Capital Limited and Helix Partners Fund;
“Enlarged Share Capital”	the issued share capital of the Company following completion of the Placing;
“European Acquisition Capital” or “EAC”	European Acquisition Capital Limited;
“Executive Directors”	Guy Willner, Christophe de Buchet and Karen Bach
“Existing Ordinary Shares”	the 127,129,777 Ordinary Shares in the share capital of the Company which will be in issue as at the date of Admission (taking into account the effect of the resolutions referred to in paragraph 4 of Part 5 of this document);
“Existing Shareholders”	shareholders holding Existing Ordinary Shares;
“FSA”	Financial Services Authority;
“FSMA”	the Financial Services and Markets Act 2000;
“Group”	the Company and its subsidiaries;
“IFRS”	International Financial Reporting Standards;
“Investec”	Investec Investment Banking, a division of Investec Bank (UK) Limited;
“London Stock Exchange”	London Stock Exchange plc;
“New Ordinary Shares”	the 45,454,546 new Ordinary Shares to be issued pursuant to the Placing;

“Nomad and Broker Agreement”	the agreement dated 3 April 2006 between the Company and Investec relating to Investec acting as nominated adviser and broker to the Company for the purposes of the AIM Rules, further details of which are set out in paragraph 13.12 of Part 5 of this document;
“Nominations Committee”	the nominations committee of the Company duly appointed by the Board;
“Official List”	the Official List of the UK Listing Authority;
“Optionholder”	an employee of the Group who has been granted an Option;
“Options” or “Option”	any of the UK tax-unapproved options granted pursuant to the Share Option Scheme;
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company;
“participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant;
“Placees”	the subscribers of the New Ordinary Shares pursuant to the Placing;
“Placing”	the conditional placing of the New Ordinary Shares by Investec at the Placing Price pursuant to the Placing Agreement;
“Placing Agreement”	the conditional agreement dated 3 April 2006 between (1) the Company (2) Investec (3) the Directors and (4) the Separate Shareholders relating to the Placing, further details of which are set out in paragraph 12 of Part 5 of this document;
“Placing Price”	22 pence per Placing Share;
“Registrar”	Capita Registrars, details of which are set out on page 4 of this document;
“Remuneration Committee”	the remuneration committee of the Company duly appointed by the Board;
“Separate Shareholders”	Nightshade Limited and Southshire Limited, both having their registered office at Trident Chambers, PO Box 146, Road Town, Tortola, British Virgin Islands;
“Share Option Scheme”	the IX Europe Unapproved Share Option Scheme, a summary of the principal terms of which are set out in paragraph 6 of part 5 of this document;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“uncertificated” or “in uncertificated form”	recorded on the relevant register of the uncertificated share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST; and
“UKLA” or “UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of section 72 of the Financial Services and Markets Act 2000.

GLOSSARY

“churn”	the amount of Monthly Recurring Revenue lost during the specified period as a proportion of the Monthly Recurring Revenue at the beginning of the specified period;
“EBITDA”	earnings before interest, tax, depreciation and amortisation;
“contracted Monthly Recurring Revenue”	Monthly Recurring Revenue contracted at a particular point in time;
“KPI”	key performance indicator;
“Monthly Recurring Revenue”	the price payable each month by customers for datacentre space or services contracted on an ongoing basis, excluding one-off installation revenue and other non-recurring revenues;
“net datacentre space”	fitted out datacentre space which is available to house customer IT and telecoms equipment; and
“sqm”	square metres.

