colt

Colt Group S.A.
2014 Annual Report and Accounts

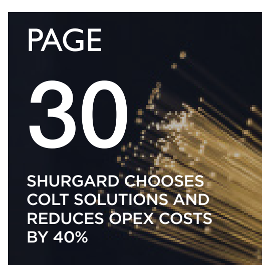
for the year ended 31 December 2014

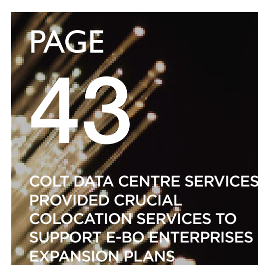
Stock code: COLT.L

Welcome to Colt

Achieving our vision

We make a real difference to our customers' businesses:





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Who we are

Colt provides a range of information and communication services to enterprises across cities in Europe, Asia and North America.

We have an extensive international next-generation network together with deep local fibre access, colocation and IT service assets in key cities and information hubs in 28 countries across Europe, Asia and North America. This allows us to provide customers with seamless end-to-end capability across technologies and geographies. Our pioneering Ethernet and IP networks connect 47 metropolitan area networks, over 200 cities and over 22,000 buildings. Colt operates 29 data centres globally, with 22 in Europe and seven in Asia.

We directly serve thousands of enterprise customers ranging from large multinational companies to midsized businesses. We provide industry-relevant solutions to a selection of industries that are intensive users of information and communication services. We also serve wholesale customers such as carriers, and indirectly serve SME customers through channel partners.

Investor proposition

- We are focused on driving value through delivering network, voice, data centre and IT services and solutions to businesses. Our unique asset base, combining international reach with local depth in key cities and information hubs in Europe, Asia and North America, means we are well positioned to take advantage of the opportunities from the continuing growth in enterprise communications and IT outsourcing. Our global operations are supported by our shared service centres. As we expand to new cities, this structure provides the opportunity for improved operational efficiency and profitability.
- At the end of the year we completed the acquisition of KVH, a similar business to Colt operating in Asia, expanding our capability in several key cities and strengthening our service capability as a global provider of network, voice, data centre and IT services.
- Our strategy is defined by three priorities: a focus on key markets, delivering an exceptional customer experience and optimising the use of our assets. During 2014 we completed the restructuring of Colt along four lines of business: Network, Voice, Data Centre and IT Services; increasing the focus on our assets, providing end to end ownership and responsibility for revenue, profits and cash returns and enhancing visibility of performance and delivery.
- Colt Group financial performance in 2014 reflects this ongoing transformation of our business, with a disappointing first half followed by a second half that delivered to expectations: Our Network Services business mix is evolving, with a decline in legacy SDH connections being countered by growth in managed networking; Voice Services performance reflected our proactive withdrawal from low margin carrier voice trading contracts; IT Services underperformed with the business in transformation from traditional platforms to cloud solutions; Data Centre Services grew, but slower than the market rate as it only recently refocused on retail colocation. We expect the completion of the transformation in 2015 should result in improved performance towards the end of the year.
- Our balance sheet strength and debt capacity allows us to support the necessary organic and inorganic investments to deliver our strategy. There is unlikely to be any near-term distribution of dividends as we maximise value generation for shareholders by investing in the full execution of our strategy.

Look out for our key services icons

Network

Voice

Data Centres

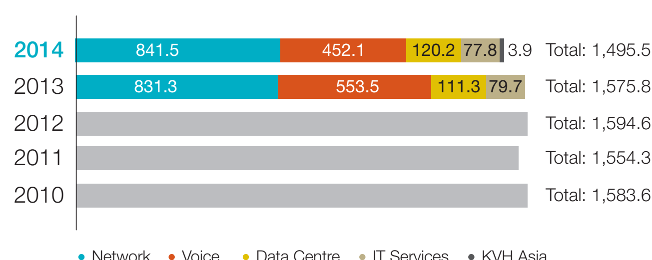
IT

View more on our Corporate Website: **www.colt.net**

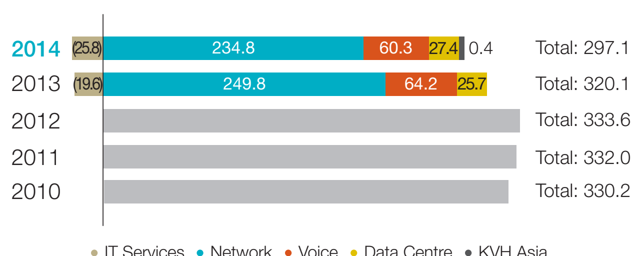
View Our 2014 Annual Report Online at: **colt.annualreport2014.com**

Our performance in 2014

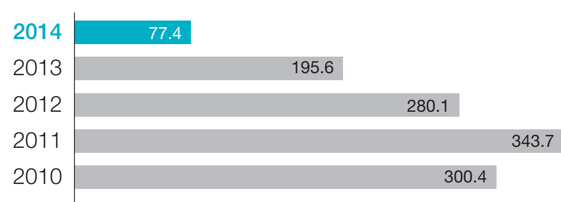
Five year revenue summary (€m)



Five year EBITDA summary (€m)

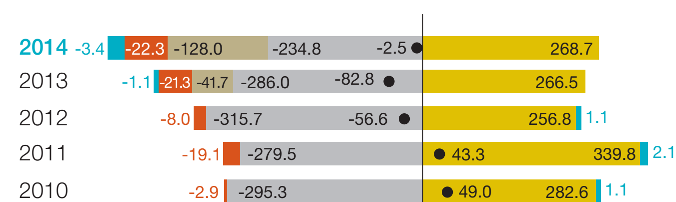


Cash and deposits summary (€m)



Cash and cash equivalents and current asset investments

Cash flow (€m)



* Other investments includes cash outflows in relation to subsidiary acquisitions excluded from free cash flow (2010: €63.5m, 2012: €9.2m, 2013: €0.8m, 2014: €117.3m)

2014 review

- Colt Group financial performance in 2014 reflected the ongoing transformation of our business, with a disappointing first half, but a second half that delivered to expectations.
- In May we restructured Colt along four lines of business: Network, Voice, Data Centre and IT Services; helping to bring a renewed focus on leveraging our assets more effectively.
- In Network Services we introduced growth initiatives including wireless backhaul to Mobile Network Operators as well as targeted plans to fill empty space in network-ready buildings and data centres.
- In Voice we are particularly pleased with revenue growth in our strategic product areas of VoIP (+27%) and service provider solutions (+30%), outpacing the market. We also successfully exited our low margin carrier voice trading business, resulting in the withdrawal from *c.*€175m of annualised revenue, but with no material impact on EBITDA and an improvement to Voice profit margins.
- In Data Centres we renewed our focus on retail colocation and launched a range of value added services.
- In IT Services, we completed the creation of our foundation cloud platform suite and commenced the process of transitioning customers off legacy platforms. We focused our product portfolio onto three key areas (end user services, enterprise application hosting and business critical web hosting) where we see traction in the market, with propositions that use standardised repeatable components.
- We transitioned to a Technical Service Desk model, supporting all parts of our business, to service customers more efficiently and effectively. Associated implementation challenges slowed the progress of our Net Promoter Score this year, but first time resolution of customer faults has improved from 20% to 58%.
- During the year we recruited an additional 69 quota bearing sales people to drive organic revenue development.
- In December we completed the acquisition of KVH Asia, an infrastructure-based service provider of networks and data centres across Asian cities, with headquarters in Tokyo and operations in Hong Kong, Seoul and Singapore, strengthening Colt's position as a global provider of Network, Voice, Data Centre and IT Services. Consolidated from 22 December 2014, KVH Asia contributed €3.9m to Colt Group revenue and €0.4m to EBITDA in 2014, and delivered pro-forma year-on-year revenue growth of 8.3% and a 12.0% EBITDA margin.

Colt connects Europe's largest pan-European cash equities clearing house

European Central Counterparty Limited and the European Multilateral Clearing Facility (EMCF) combined in 2014 to form Europe's largest pan-European clearing house, European Central Counterparty N.V. (EuroCCP). Processing more than six million trade sides each day and clearing stocks traded on 16 stock exchanges, multilateral trading facilities and other trade sources, ICT infrastructure is at the core of their business.

When the two firms combined, they wanted to move quickly to connect their Amsterdam and London offices. As a long-term trusted provider of network services to one of the predecessor companies, Colt was ideally positioned to connect these two well-known clearing houses to ensure business as usual.

Colt designed a managed networking service to connect the Amsterdam headquarters with the London office, and four data centres, for fast and secure internal communications and back-office operations.

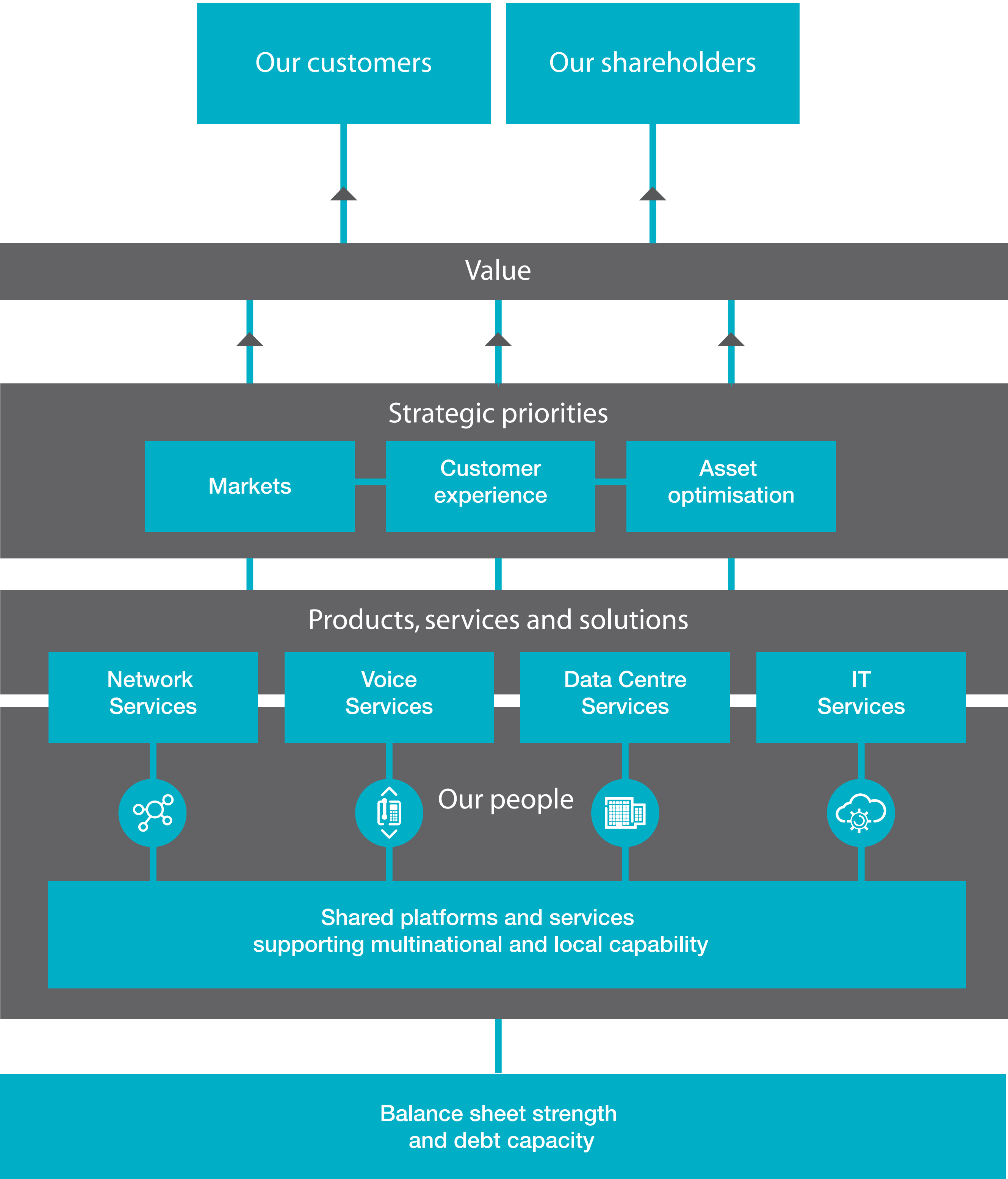
EuroCCP IT Manager Erik Nieuwenhuis states:

"Colt understands that speed is essential in our business. They've always been very efficient and effective in creating a solution tailored to our growing needs and this was demonstrated once more with its agility and flexibility to implement the London connection. It took just one meeting with our Colt account manager for Colt to design an offering in line with our needs."

EuroCCP also uses Colt's SWIFTNet service for secure connectivity to ensure secure bank transaction messaging such as payment instructions.

EuroCCP
Make a difference

Business model



Customers and shareholders

We directly serve a range of enterprise customers from large multinational companies to midsized businesses. We focus on industry verticals which are significant users of information and communication services to which we offer industry solutions. We also serve wholesale customers such as carriers, and indirectly serve SME customers through channel partners.

Value

We focus on the key drivers of value for our customers, such as flexibility, security, reliability, and seamless delivery across technologies and geographies. Our Strategy is focused on delivering superior growth and returns for Colt through three key priorities: focusing on key markets, customer experience and our assets.

Markets, customer experience and assets

Markets: We focus on serving businesses and locations (cities and key information hubs) which drive the highest growth and returns for Colt – **Customer experience:** We focus on delivering an exceptional customer experience to minimise churn and drive growth through increased trust, share of wallet, and customer advocacy – **Assets**: We focus on getting the most from our physical assets (networks and data centres), our shared operating platform assets, and our expert workforce; to deliver improved profitability and returns on investment.

Products, services and solutions

We provide a range of individual services and seamlessly integrated solutions in network, voice, data centre and IT services – the four elements of our information delivery platform. Through our assets and expertise Colt is uniquely placed to roll out complex solutions combining these assets.

Network, voice, data centres and IT

We have an extensive international next generation network together with deep local fibre access, data centre and IT service assets in key cities and information hubs in Europe and Asia. This allows us to provide customers with seamless, end-to-end capability across technologies and geographies.

Our people

We create a great working environment for our employees. We believe that a diverse, motivated and values-driven workforce achieves more for themselves, those around them and the business as a whole. Colt enjoys a diverse workforce represented by 70 different nationalities. Colt's multicultural environment enables us to effectively work within the numerous communities in which we are based.

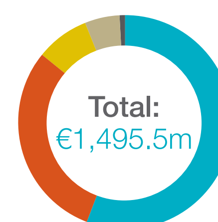
Shared platforms and services

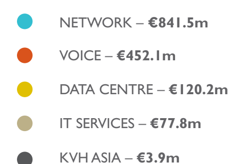
A common platform of systems and processes has been established across Colt. A global business services model is operated through our shared service centres in India, Spain and Romania driving integrated and cost-effective business critical functions in support of Colt's multinational operations.

Balance sheet strength and debt capacity

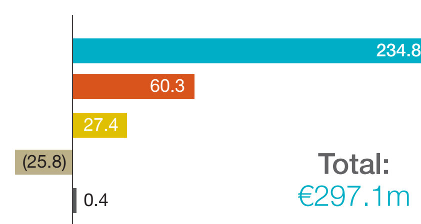
Colt's balance sheet strength and debt capacity allow us to support the necessary organic and inorganic investments to deliver our strategy. Dividends are not a near-term priority as we maximise value generation by investing in the full execution of our strategy.

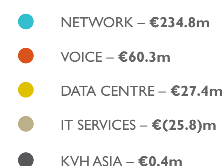
REVENUE BY LINE OF BUSINESS





EBITDA BY LINE OF BUSINESS (€m)

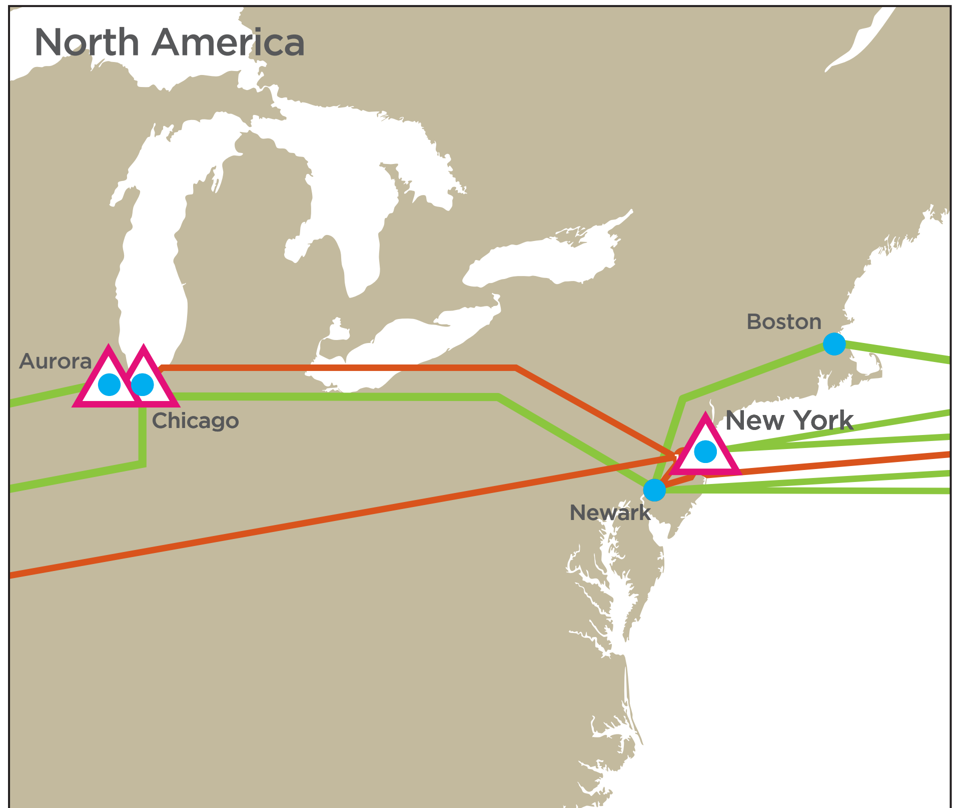


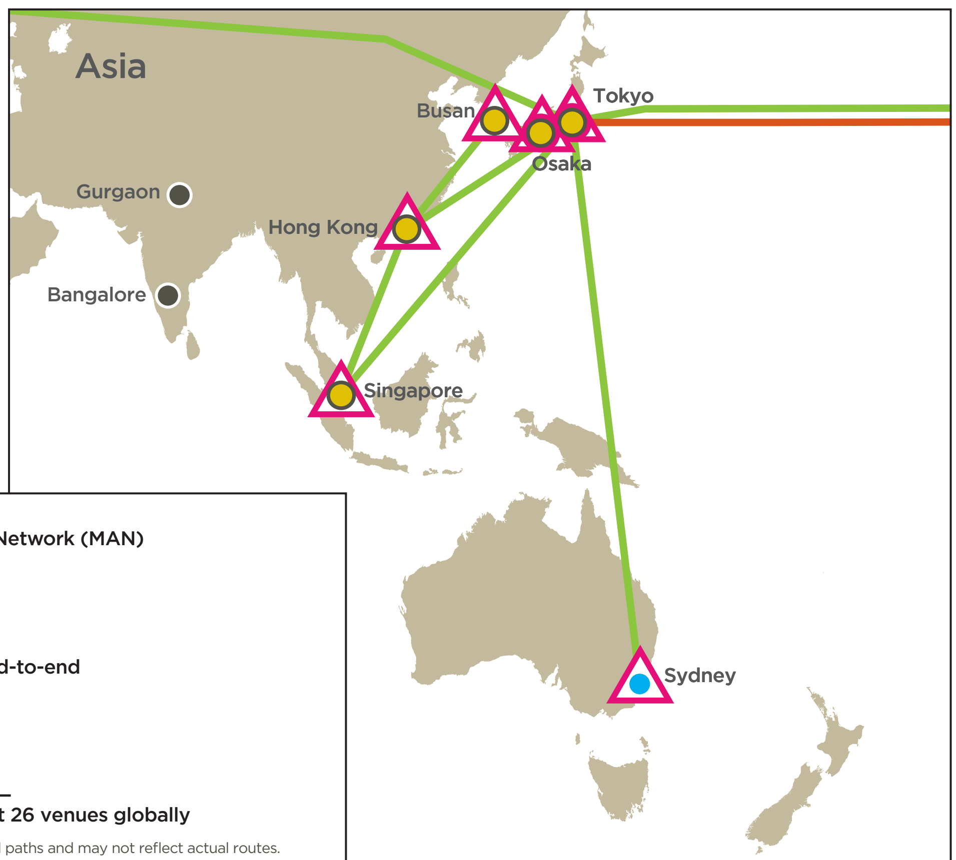


Our global network and IT infrastructure

Global network spanning three continents with Colt-owned infrastructure in 28 countries

47 Metropolitan area networks (MANs)	**205** Connected cities
22,000 Direct fibre connected buildings	**521** Connected third party data centres
29 Managed data centres globally, 22 in Europe and seven in Asia	**86** Countries where Colt provides a service to customers





- Data Centre & Metropolitan Area Network (MAN)
- Data Centre
- MAN
- Colt connected city
- Operational network managed end-to-end
- New network route 2014
- Under construction
- Shared Services Centre (SSC)
- Global exchange access facilities — Colt offers exchange colocation at 26 venues globally

Network connections between cities are logical paths and may not reflect actual routes.

Chicago
Aurora
New York
Los Angeles
Further layer detail on North America map

Copenhagen
Hamburg
Amsterdam
Berlin
Frankfurt
London
Brussels
Paris
Zurich
Sibiu
Turin
Milan
Barcelona
Lisbon
Madrid
Further layer detail on Europe map

Tokyo
Busan
Osaka
Gurgaon
Hong Kong
Bangalore
Singapore
Sydney
Further layer detail on Asia map

Europe

Oslo
Helsinki
Stockholm
Copenhagen
Manchester
Dublin
Birmingham
London x3
Amsterdam x2
Hamburg
Slough
The Hague
Rotterdam
Roosendaal
Antwerp
Hannover
Berlin
Düsseldorf
Ghent
Cologne
Warsaw
Brussels
Frankfurt
Luxembourg
Prague
Paris x3
Stuttgart
Basel
Munich
Berne
Vienna
Budapest
Lyon
Zurich
Pfäffikon
Geneva
Zug
Lugano
Milan
Turin
Genoa
Marseille
Sibiu
Porto
Bucharest
Madrid
Barcelona
Rome
Lisbon
Valencia

Colt solution improves call handling efficiency and cuts telephony costs at trivago

Trivago, the online hotel search and comparison service, was looking for a solution that could allow hotels, hotel booking websites and trivago employees to make calls to its headquarters in Germany at local rates. The goal was to remove the problem of international dialling costs and concerns among trivago's contacts about being served appropriately in their own language. Colt's SIP trunking solution, Colt VoIP Access, resolved these issues by connecting calls directly over the Colt network to Germany, where they were intelligently routed to a native speaker.

In just eight weeks, Colt installed an IP VPN feed to the trivago office in Germany and provided SIP trunks in all partner countries. All relevant calls to trivago are now charged at the caller's domestic rate and the overall telephony management is now significantly easier.

Florian Schürfeld, IT Manager at trivago says: "The set-up of the new telephony solution was hassle free, we have everything under control and it is great that we only have one go-to person for technical questions or possible extensions in all relevant countries. This has made our lives much easier."

Our strategy

> "Our strategy places the customer at the heart of our business. With our philosophy of focus and simplicity and a clear value proposition as a global company connecting city networks, we provide services across a range of information and communication products in key locations in Europe, Asia and North America."

Our philosophy

To drive improved execution our philosophy is now all about "focus and simplicity". Keeping a clear focus on our customers and their needs; on the management of our assets; on the simplicity of our propositions to our customers; on how simple it is to use our services; and the ease of doing business with us.

Our operating strategy

Our strategy places the customer at the heart of our business. With our philosophy of focus and simplicity and a clear value proposition as a global company connecting city networks, we provide services across a range of information and communication products in key locations in Europe, Asia and North America. Our strategy consists of three Group-wide priorities:

1. Focus on key markets

We focus on key locations where our target customers do business, principally tier 1 cities in Europe, Asia and North America. In these locations we have deep presence through our metropolitan area networks (MANs) as well as international reach, which allows for end-to-end connectivity across our extensive footprint.

We focus on industries which are intensive users of information and communication services and which have a need for secure, reliable network and IT services. These target industries include capital markets, cloud service providers, media and business services, as well as wholesale customers such as fixed and mobile carriers.

We focus on target customer groups in these verticals. We target multinational companies which benefit from our extensive international coverage and end-to-end connectivity in key hubs in Europe, Asia and North America. We also focus locally, ensuring our MANs, data centre and IT infrastructure assets serve local customers, whether small or medium-sized, domestic or multinational companies.

2. Focus on customer experience

We focus on delivering an appropriate customer experience, differentiated for our customers' needs and priorities regarding seamless delivery, reliability, security, flexibility and ease of use. We understand that delivering the right experience to our customers helps drive improved trust and customer advocacy of Colt, and therefore growth of the business.

Different customers require different types of service and delivery when doing business with Colt, depending on whether they buy a single product, or require a managed solution involving multiple products. Some need a simpler, more automated service while others require integrated solutions.

3. Focus on our assets

We focus on getting the most out of all our assets: our physical assets (networks and data centres), our shared operating platform assets, and our expert workforce, to better serve our customers and to deliver improved profitability and returns on investment.

We focus on getting the greatest returns from our core networks, data centres and IT assets. These are based in key cities and information hubs across Europe, Asia and North America, where our target customers do business and where they need us to be present. We do this through aligning our infrastructure with our key customer groups and through identifying and targeting the customers that will benefit from our infrastructure locally and internationally. This includes ensuring we have the right propositions for each of our target customer groups, leveraging our assets and their key attributes and effective targeting of customer groups who will benefit from our local infrastructure and international reach.

We have centralised our operational infrastructure in shared service centres, providing an efficient and effective platform for Colt and our customers' multinational businesses. As we expand to new cities this structure provides the opportunity for improved operational efficiency and profitability.

Finally, Colt people are our greatest asset in serving customers. They are at the heart of our business and the value we bring to our customers. Our multinational workforce ensures that we have the right people in the right locations to meet our customers' local needs. Our systems and processes are geared to maximising the value that our people can bring to our business, and, above all, to delivering the right customer experience to our customers.

Chairman's statement

Simon Haslam
Non-Executive Chairman

> "2014 was a challenging but significant year for Colt. Strategically, the acquisition of KVH in Asia was a major highlight and provides Colt with scale and complementary capability in key Asian cities."

Introduction

2014 was a challenging but significant year for Colt. Strategically, the acquisition of KVH in Asia was a major highlight and provides Colt with scale and complementary capability in key Asian cities. The transaction was in line with Colt's city-based expansion strategy. This was a related party transaction and I would like to pay tribute to our independent Directors for their hard work in acting in the interests of our non-Fidelity shareholders and for making the transaction successful.

Operationally, Colt's transformation continues; during the year, we reorganised Colt into lines of business formed around major product areas and last month the go to market approach was aligned with these new lines of business. This should help to deliver a greater understanding of customer needs, allowing faster decision making and focusing our resources on our assets. We believe this structure will serve our customers better and facilitate more transparent reporting on the different parts of the business. In addition, we announced our intention to withdraw from low margin carrier voice trading in Q2 2014 and this planned exit was responsible for the reduction of around €75m in our 2014 carrier voice revenues.

Our balance sheet position remains solid; however, the Board recognises that we have not made as much progress as we would have liked with regard to growth, in terms of both revenue and EBITDA. Our markets continue to be challenging, particularly in the enterprise space.

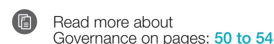
Corporate governance

During 2014, we continued to focus on our Board refresh and rotation plans. I am proud to report that we made significant progress with regard to gender diversity and I am satisfied that the Colt Board operates effectively and maintains the right skillsets and level of experience, gained over many years from a wide range of sectors. In 2014 several of our long-serving Non-Executive Directors stepped down from the Board: Andreas Barth, Vincenzo Damiani and Gene Gabbard retired at the 2014 AGM and Tim Hilton retired on 31 December 2014. Colt has benefited hugely from their wisdom and guidance over the years.

We appointed Olivier Baujard to the Board and as a member of the Audit Committee and the Remuneration Committee in April. In November Hugo Eales joined the Board to replace Mark Ferrari as CFO. Jennifer Uhrig joined the Board as a Non-Executive Director on 1 January 2015. As planned, Jennifer and Hugo will be proposed for election by the shareholders for the first time at the 2015 AGM.

On behalf of the Board, I would like to thank Andreas, Vincenzo, Gene, Mark and – especially – Tim for their dedication and hard work and wish them all the best for the future.

The Board complied with the principles of the UK Corporate Governance Code relating to leadership and effectiveness and details of how we have applied the principles of the Code are set out in the corporate governance statement.


Read more about
Governance on pages: 50 to 54

CSR

Colt's approach to Corporate Social Responsibility focuses on delivering business results in a responsible way. We believe in applying our technology and expertise to support social and environmental issues. Our CSR activity is concentrated on four key areas: People, Customers and Suppliers, Environment, and Community. In 2014 we made significant progress with our environmental goals including a continued energy efficiency programme and behavioural change in our use of business flights which reduced emissions of CO^2 equivalent by over 1,090 tonnes as a result. Colt's energy efficient nodes and data centre estate helped our customers to mitigate the environmental impact of their information and telecommunication services purchased through Colt. We are also proud of our people who volunteered a record 8,200 hours this year, participating in community projects and raising funds for disadvantaged children in the cities where Colt operates, while improving

30%
of the board is now female

their skills and developing Colt's Teamwork value.

Focus and simplify

I am grateful to our CEO, Rakesh Bhasin, for his leadership during 2014 and would like to thank him and all our employees for their commitment and hard work.

In the coming year we will continue to execute on our strategy and to keep it under review, maintaining a clear focus on our customers and their needs, the management of our assets and operating in the right markets. Our new operating model has helped improve decision making at Colt and our transformation is well under way.

In terms of the business environment in which we operate, our industry remains subject to strong price pressures and competition. The economic environment in our European markets is predicted to remain challenging. In that context, our acquisition of KVH provides geographic diversification and we believe significant opportunities exist with the two businesses working together. Against this background the Board remains confident that Colt is well placed to deliver future growth and to create value for our shareholders.

We hope you enjoy reading this annual report. We believe that it presents a fair, balanced and understandable assessment of the Group's trading position and prospects.

Finally on behalf of Colt, I would like to thank all our shareholders and customers for your continued trust in Colt.

Simon Haslam
Non-Executive Chairman
25 February 2015

Chief Executive's review

Rakesh Bhasin
Chief Executive Officer

> "During the year we refined how we communicate our long-term strategy which focuses Colt on three priorities: a focus on key markets; delivering an exceptional customer experience; and optimising the use of our assets. It makes our ambitions clear and shows how you can expect us to build value."

Becoming a more focused business

The market continued to be challenging in 2014. We did not start the year well, having to reset market expectations of our EBITDA performance in April. I am pleased that changes we made in the first half ensured that we met our targets in the second half of the year.

To serve our customers better, focus our resources on our assets and to drive future profitability, we moved to a new organisational structure in May, which we call "lines of business" encompassing the major product categories of Network Services, Voice Services, Data Centre Services and IT Services, the four elements of our Information Delivery Platform. The reorganisation was about giving each line of business control of the assets they use, their profitability and returns on investments. The improved clarity and transparency of disclosure helps both us and our investors benchmark our performance both internally and externally.

Financially, one of the key challenges we identified was the negative contribution from our IT Services business due to our early stage investment in cloud services; we have put specific actions in place to address this. Overall revenue declined largely as a consequence of our strategic withdrawal from low margin carrier voice trading business to focus on higher margin enterprise voice. We also continued to take costs out of the business to drive improved profitability and cash generation.

One of the most significant events of 2014 was our acquisition of KVH in December, an infrastructure-based service provider of networks and data centres across Asia, serving around 2,000 enterprise and wholesale customers. It is a similar but smaller business to Colt, operating in Asian cities, which brings global capability and opportunities to the organisation. It is a growing business in a growing market, with technologies aligned with Colt and a management team well known to us, lowering the integration risk.

Our customers remain our highest priority. We worked hard to find ways to build advocacy, by improving how we interact with our customers every day. We implemented a new Technical Service Desk model during the year, and a more agile and customer-oriented sales structure on 1 January 2015. This aligns sales with the way our customers buy and the four lines of business. We also enlarged our sales organisation with the recruitment of an additional 69 sales people with a view to drive organic revenue development.

Financial performance in the year

Colt operates in a dynamic and competitive environment and ongoing changes in technologies are transforming the industry. Colt Group financial performance in 2014 reflects the ongoing transformation of our business, the different stages of maturity in our lines of business and the dynamics of our industry. Group revenue was €1,495.5m (2013: €1,575.8m), driven lower by our strategic withdrawal from low margin carrier voice trading contracts, an issue that will continue to drag on year-on-year revenue until the last quarter of 2015. Legacy SDH (low speed network connections), also continued to decline in line with expectations, but now only constitutes 7.8% (2013: 10.2%) of Network Services revenue.

EBITDA declined by 7.2% in 2014 to €297.1m, due mainly to price and margin pressures associated with the evolving mix, particularly the run-off of legacy SDH and increased proportion of off-net business. €2.9m of costs associated with the KVH acquisition are also reflected in this year's EBITDA. The reduction in our capex in 2014 to €245.5m is mainly due to the €41.7m we spent on a strategic property in 2013 and is also a reflection of greater focus and discipline in our investments.

These headline trends mask the improvements being made in our business. We are already starting to see the benefits of the improved focus and accountability under our new model. We have grown revenue in our strategic product areas. Managed networking grew 11.4%, VoIP by 26.7%, colocation services grew by 6.4%, and cloud infrastructure grew 22.6%. Each line of business discusses its relevant market trends in more detail on pages 24 to 27.

Progress in 2014 against our strategy

During the year we refined how we communicate our long-term strategy which focuses Colt on three priorities: a focus on key markets; delivering an exceptional customer experience; and optimising the use of our assets. It makes our ambitions clear and shows how you can expect us to build value.

1. Focus on key markets

We focus on serving businesses in information intensive city locations which drive the highest growth and returns for Colt. As mentioned earlier, we acquired KVH. This enables us to offer our customers seamless solutions on a global basis and provides a solid platform for growth in Asian cities. Our network now spans three continents and 47 MANs. Our customers include 18 of the top 25 bank and diversified financial groups and 19 of the top 25 companies in both global media and telecoms industries (Forbes 2000 list, 2014). In addition, Colt works with over 50 exchange venues and 13 European central banks.

Increasingly, our capital markets customers recognise that we have the expertise and capabilities to deal with their rapidly changing environments. In the year we created a dedicated team, Colt Capital Markets, which builds on the full acquisition of MarketPrizm in 2013. This, alongside the acquisition of KVH, allows us to increase focus in the sector and invest further in services that help these customers grow. Colt Capital Markets has recurring annual revenues of *c.*€115m and around 400 customers. In the year, the team grew year-on-year bookings by 10% and won 14 deals worth over €1.0m total contract value, primarily in the network space. In 2015, we will look to refine our propositions further and launch a global financial extranet.

Another area of increased focus is mobile backhaul. During the year we signed two landmark deals with major European operators demonstrating our capability in fibre backhaul. This is a significant growth opportunity with

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Our customers include 18 of the top 25 bank and diversified financial groups

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Our customers include 19 of the top 25 companies in both global media and telecoms industries

Chief Executive's review

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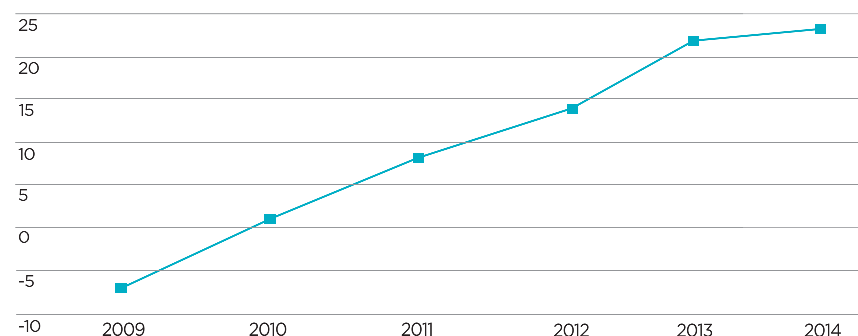
“Our performance in 2014 did not deliver what we set out to achieve, but we begin 2015 with reasonable momentum and a focused organisation.Our priorities for the year ahead will be on the continued focus and simplification of the business, delivering the turnaround in our IT Services business and generating positive operating cash flows.”

Net Promoter Score (%)



mobile operators increasingly requiring dense fixed network infrastructure to support the latest generation mobile data network services.

2. Focus on exceptional customer experience

Throughout the year we remained committed to improving the services, products and experiences we provide to our customers. We transitioned to a Technical Service Desk model in the year, which gives our customers more direct access to technical resources.

As with any large transformation, we experienced some challenges. Despite this, our net promoter score improved to 23%. The framework is now in place and we have seen first-time resolution of customers' faults improve from 20% to 58%. We see this trend continuing. We believe this is the right approach for our business and for our customers, but we still have a lot of work to do to continue to make it easier for them to do business with us.

3. Focus on our assets

We focus on getting the most from our physical network and data centre assets, our shared operating platform assets and our expert workforce. This will help counter current margin compression from product mix changes and regulatory pressures and drive improved profitability and returns on investment.

The KVH acquisition brings a major expansion to our physical infrastructure, and an opportunity to greater leverage our shared service capability globally.

Our strategic withdrawal from low margin carrier voice trading contracts was a direct response to driving improved profitability and returns from the traditional voice network and switching capacity. Our focus on enterprise voice is already delivering results.

Demand in data centres has shifted away from large wholesale deals towards flexible, secure colocation solutions. In response, we have focused more on expansion of existing facilities than new sites. Colocation remains a focus area for us and we will continue to invest where necessary.

In IT Services we have begun rationalising the number of technology platforms and focused on three key propositions to leverage our foundation cloud platform suite.

Regarding our people, we strengthened the leadership team with the creation of a new EVP role to lead strategy and business development. We also brought on board Hugo Eales as our new Chief Financial Officer on 1 November 2014. I also want to thank our Colt employees around the world for their continued commitment, hard work and dedication to serving our customers.

Industry recognition

We continued to reinforce our position as a market leader in ethernet services, demonstrated through a number of industry awards won. We also continue to gain market recognition, as evidenced through Colt's position as a "Leader" in Gartner's 2014 Magic Quadrant for Cloud-Enabled Managed Hosting, Europe[1].

Part of the community

Colt is committed to helping build better communities by providing opportunities for our employees to be involved in the community and in issues that matter to them. During the year we nearly doubled the number of volunteering days our people gave to local communities and raised more funds than ever before for those less fortunate than us. These initiatives are not just the right thing to do; they are part of who we are.

The year ahead

Our performance in 2014 did not deliver what we set out to achieve, but we begin 2015 with reasonable momentum and a focused organisation. Our priorities for the year ahead will be on the continued focus and simplification of the business, delivering the turnaround in our IT Services business and generating positive operating cash flows.

On behalf of Colt and its Board of Directors, I want to take this opportunity to thank you for your continued support and trust in Colt's management team and employees. We welcome your feedback via coltinvestorrelations@colt.net

Rakesh Bhasin
Chief Executive Officer
25 February 2015

13
Colt works with 13 European central banks

50
Colt works with 50 financial exchanges

[1] Gartner, Magic Quadrant for Cloud-Enabled Managed Hosting, Europe, Tiny Haynes, Gianluca Tramacere, Lydia Leong, Gregor Petri, Douglas Toombs, Bob Gill; July 2014. Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organisation and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

Chief Financial Officer's review

Hugo Eales
Chief Financial Officer

> "Group financial performance in 2014 reflected the ongoing transformation of our business, with a disappointing first half, but a second half that delivered to expectations."

I am delighted to join Colt and look forward to driving better delivery of value for shareholders.

Overview of 2014

Group financial performance in 2014 reflected the ongoing transformation of our business, with a disappointing first half, but a second half that delivered to expectations. As we outlined in our 2013 Annual Report, we restructured the organisation along four lines of business: Network, Voice, Data Centre and IT Services; increasing the focus on our assets, providing end-to-end ownership and responsibility for revenue, profits and cash returns and enhancing visibility of performance and delivery.

Early in the year it became clear that a combination of margin compression from product mix changes, continued churn in our bandwidth products and the flow through of previous year rate declines to our enterprise voice customers were going to impact our performance, leading us to issue guidance to the market in April that the then market expectations for 2014 EBITDA exceeded our internal forecasts. At the same time we announced workforce restructuring actions to align cost structures and improve profitability. The implementation of these plans helped ensure the second half of the year delivered to expectations.

During December 2014 Colt completed the acquisition of KVH Asia, an infrastructure-based services provider of networks and data centres across Asian cities, which will provide us with a strong platform in the region.

Group revenue declined 5.1% due largely to a reduction in Voice associated with our proactive withdrawal from low margin carrier voice trading contracts, and regulatory price declines.

EBITDA[1] declined 7.2% to €297.1m (2013: €320.1m). EBITDA performance was negatively impacted by margin compression from regulatory driven termination rate reductions in Voice Services and product mix changes in the business, particularly in Network Services, associated with the continued run-off of high margin legacy SDH (low bandwidth) circuits and increased proportion of off-net business from the growth in managed networking. €2.9m of costs associated with the acquisition of KVH are also included in 2014 EBITDA. These impacts were partially offset by targeted savings from our restructuring and cost control programmes which occurred mainly in selling, general and administrative expenses. Currency movements did not have a significant impact on EBITDA.

Operating profit before exceptional items decreased from €39.4m to €21.0m mainly due to the reduction in EBITDA, partially offset by lower network infrastructure depreciation due to a reduction in accelerated depreciation on ceased network-connected buildings.

Net cash generated from operating activities (before capital expenditure and exceptional items) has remained fairly flat at €268.7m (2013: €266.5m). Cash balances have declined to €77.4m (2013: €195.6m) largely as a result of our acquisition of KVH Asia (€128.0m) and payments made as part of our restructuring programmes. Even after the €41.7m purchase of a strategic building in 2013, capital expenditure reduced to €245.5m (2013: €326.9m) mainly due to lower spend in IT and data centre infrastructure during the year.

[1] EBITDA is profit before net finance costs and related foreign exchange, tax, depreciation, amortisation and exceptional items.

Total revenue

Total revenue for 2014 was €1,495.5m, a decrease of 5.1% over 2013 principally due to the commencement of our withdrawal from low margin carrier voice trading contracts and regulatory driven price reductions within Voice Services.

Network Services revenue increased by 1.2% to €841.5m (2013: €831.3m). On a constant currency basis Network Services revenue declined 0.1% as growth in managed networking was offset by declines in legacy low bandwidth (SDH) circuits.

Voice revenue decreased by 18.3% to €452.1m (2013: €553.5m) for the year. On a constant currency basis total Voice revenue decreased by 19.4%. Carrier voice revenue declined to €174.8m (2013: €250.4m) driven by our mid-year exit from low margin carrier voice trading contracts. Enterprise voice revenue fell to €277.3m (2013: €303.1m) driven by regulatory price declines of €16.2m.

Data Centre Services revenue grew 8.0% to €120.2m (2013: €111.3m). On a constant currency basis, Data Centre Services grew by 5.7%.

IT Services revenue declined by 2.4% (3.4% decline on a constant currency basis) to €77.8m (2013: €79.7m). This reduction was primarily driven by the proactive churn of several legacy dedicated hosting contracts as we focus the business, and our customers, on our next generation flexible shared hosting cloud platform.

Gross profit before exceptional items

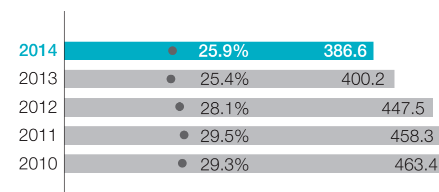
Gross profit before exceptional items in 2014 declined by 3.4% to €386.6m due to regulatory driven termination rate reductions in Voice Services and product mix changes in the business, particularly in Network Services. This was partially offset by €11.1m lower infrastructure depreciation.

The profit decline in Network Services was due principally to the changing mix with growth of larger managed networking contracts resulting in increased use of third party networks (off-net connections) which carry lower margins. The contribution from our high margin legacy bandwidth products (SDH), which reduced to 7.8% (2013: 10.2%) of total Network Services revenue, also played a part in the gross profit decline. We have implemented a number of initiatives to improve the proportion of higher margin on-network business and general network utilisation going forward.

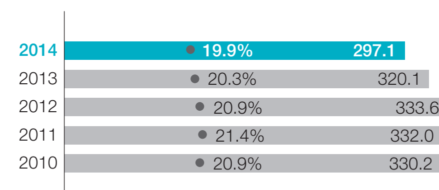
As a percentage of revenue, gross profit before exceptional items marginally increased to 25.9% (2013: 25.4%). This increase was driven by the exit from low margin Voice business and lower depreciation offset by the margin compression in Network Services.

Total revenue (€m)

Gross profit before exceptional items (€m)



EBITDA[1] before exceptional items (€m)



[1] EBITDA is profit before net finance costs and related foreign exchange, tax, depreciation, amortisation and exceptional items.

Chief Financial Officer’s review

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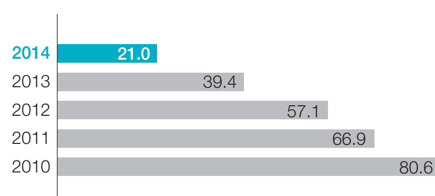
Operating profit summary (before exceptional items) (€m)



Operating expenses (before exceptional items)

Operating expenses of €365.6m (2013: €360.8m) increased 1.3% (€4.8m) driven by an increase in other depreciation (excludes network depreciation) due to increased spend on IT systems which came into operation at the end of the prior year, relating to enhancements to our order processing, billing and customer relationship management systems. Operating expenses were adversely impacted by foreign currency movements of €8.6m due to the impact of the strengthening of Sterling against the Euro. The impact of our restructuring was insufficient to offset this movement.

Selling, general and administrative expenses decreased by €1.7m to €311.1m (2013: €312.8m). The impact of cost savings measures, including restructuring, was largely offset by an adverse foreign currency impact of €6.7m.

EBITDA (before exceptional items)

EBITDA decreased by 7.2% to €297.1m (2013: €320.1m) with the fall in gross profit before depreciation partially offset by the reduction in selling, general and administrative expenses. EBITDA margin as a percentage of sales fell slightly to 19.9% (2013: 20.3%). EBITDA was not materially affected by currency movements.

Exceptional items

In April 2014, Colt announced a reorganisation of its business resulting in workforce restructuring actions. The Group incurred an exceptional expense of €31.1m in 2014 associated with the costs of implementing these actions. Of the €22.3m restructuring cash payments made during the year, €14.6m were made in relation to this restructuring programme with the balance relating to the 2012 transformation programme.

The establishment of the lines of business in 2014 has facilitated an alignment of our IT Services product portfolio with customer demand for cloud-based services in addition to rationalising our cost structure to improve profitability.

As a result of the portfolio realignment, which is focused on growth areas in both the enterprise and service provider space, we have reviewed the carrying values of non-current assets in IT Services and recorded a non-cash impairment expense of €15.0m in 2014. This cost has been treated as an exceptional item.

Total gross potential tax asset

	2014 €m	2013 €m
Group tax losses carried forward		
– without time limits	**2,698.0**	2,542.8
Group tax losses carried forward		
– time limited	**189.2**	127.4
Total gross tax losses	**2,887.2**	2,670.2
Other timing differences	**1,117.0**	985.3
Total gross potential tax asset[1]	**4,004.2**	3,655.5

[1] Total gross tax asset includes recognised and unrecognised tax assets.

Operating profit (before exceptional items)

Operating profit excluding exceptional items decreased to €21.0m (2013: €39.4m) mainly due to the decline in EBITDA.

Other income and expenses

Finance costs increased from €0.7m to €5.3m primarily as a result of non-recurring items including a forward option related to the funding of the KVH Asia acquisition. Foreign exchange gains rose from €3.3m to €6.7m due to the strengthening of Sterling against the Euro.

Taxation

The Group recognised a taxation charge for the year of €5.1m (2013: €4.4m). The increase in overall taxation is due mainly to a lower deferred tax credit recognised in the period. The current tax charge amounted to €5.2m (2013: €6.9m).

The current tax charge did not reduce in line with the reduction in profit compared to 2013, as most of the current tax the Group pays does not vary with profit. This is mainly because tax is payable in jurisdictions which are structurally profitable and profits generated in other jurisdictions are sheltered by tax losses brought forward, which does not give rise to a current tax cost.

Total gross potential tax asset

Gross potential tax assets increased by €348.7m in the year which is due to tax-based net operating losses generated in the year, including net operating losses of approximately €26.0m following the KVH Asia acquisition. The majority of the time limited carry forward losses must be utilised by 31 December 2026; all must be utilised in the country of origin. They remain subject to legislative provisions and to agreements with the various tax authorities in the jurisdictions in which the Group operates. The other timing differences mainly arose from our assets being depreciated more quickly in our financial accounts than in our tax accounts.

Profit after tax

Profit after tax (before exceptional items) decreased by 52.9% mainly as lower operating profit was offset by a foreign exchange gain of €6.7m, mainly due to the strengthening of Sterling against the Euro. Including the 2014 exceptional restructuring charge of €31.1m and €15.0m impairment charge, the Group reported a loss after tax of €28.2m (2013: profit of €38.0m).

Cash flow

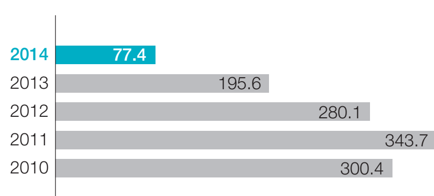
	2014 €m	2013 €m
Cash and cash equivalents at start of year	**195.6**	280.1
EBITDA	**297.1**	320.1
Movements in payables	**(47.7)**	(18.7)
Movements in receivables	**21.1**	(25.1)
Other items	**(1.8)**	(9.8)
	(28.4)	(53.6)
Net cash generated from operating activities before exceptional items	**268.7**	266.5
Restructuring payments[1]	**(22.3)**	(21.3)
Net interest	**(3.4)**	(1.1)
Capital expenditure	**(245.5)**	(326.9)
Free cash outflow[2]	**(2.5)**	(82.8)
Acquisition of subsidiaries net of cash acquired	**(117.3)**	(0.8)
Issue of shares	**–**	0.3
Net movement in cash and cash equivalents	**(119.8)**	(83.3)
Effect of exchange rate changes on cash and cash equivalents	**1.6**	(1.2)
Cash and cash equivalents at end of year	**77.4**	195.6

[1] Reported as an exceptional item.
[2] Free cash flow is net cash generated from operating activities less net cash used to purchase non-current assets and net interest paid.

Chief Financial Officer's review

CONTINUED

Cash & deposits summary (€m)



Cash flow

The normal statutory cash flow format has been amended in the presentation above to include free cash flow, a key performance indicator of the Group.

Net cash from operations before exceptional items and restructuring payments increased by €2.2m from 2013. The impact of lower EBITDA by €23.0m was offset by improved working capital performance of €17.2m. Major movements came from trade receivables and payables. There was a reduction in both payables and receivables due to the exit of the Voice trading business and trade payables fell significantly due to the timing of certain payments which were outstanding at the end of 2013 and paid in 2014.

Restructuring payments increased to €22.3m (2013: €21.3m) as a result of the restructuring programme announced with the Q1 2014 results.

Capital expenditure decreased by €81.4m to €245.5m (2013: €326.9m). Excluding the €41.7m purchase of a strategic property in 2013, capital expenditure declined by €39.7m. This was mainly due to lower spend on internal IT systems and investment in our data centre capacity, as we sought to maximise our return on investment.

KVH Asia acquisition

On 22 December 2014 Colt completed the acquisition of KVH Asia Limited, an infrastructure-based service provider in both networks and data centres, which will provide us with a strong platform in Asia. We acquired net assets of €62.3m on completion in exchange for total cash consideration of €128.0m, generating €65.7m of provisional goodwill.

KVH Asia results have been consolidated from 22 December 2014, contributing €3.9m revenue and €0.4m EBITDA respectively to full year 2014 results. For the year ended 31 December 2014, KVH Asia's pro-forma revenue and EBITDA was €144.6m and €17.4m respectively.

Statement of financial position

Non-current assets increased by €191.6m to €1,747.6m (2013: €1,556.0m) driven by the acquisition of KVH Asia and recognition of related goodwill.

The movement in net working capital balances, comprising receivables, payables and provisions, is discussed in the cash flow section of this review.

Net cash and deposits of €77.4m decreased by €118.2m, largely attributable to the €128.0m cash consideration paid to acquire KVH Asia.

Shareholders' funds increased by €8.8m to €1,519.9m (2013: €1,511.1m) mainly due to an increase in translation reserves due to the strengthening of Sterling against the Euro, partially offset by the loss in the year.

Revolving credit facility

In August 2014 the Group entered into a revolving credit facility agreement for €150.0m with a group of banks. The agreement is for an initial three year term which can be extended at the Group's option for an additional two years. The facility will be used to manage the Group's working capital position. As at 31 December 2014 the facility remained undrawn.

Unirisc plan for future growth with IaaS solution from Colt

Unirisc is a leading provider of insurance and HR services who, in partnership with other companies, deliver salary management, retirement planning, employee insurance and related services. Unirisc required a scalable infrastructure to support plans for growth and expansion and was seeking a partner who could help consolidate its applications onto a unified infrastructure-as-a-service (IaaS).

Previously, Unirisc replaced server and storage hardware every few years, which was a time consuming exercise involving major capital expenditure. It was looking to move away from this process towards a more efficient and cost-effective infrastructure as a service.

Colt helped Unirisc move to IaaS through which there have been significant improvements in operations, for example, a payroll file now takes five minutes to calculate instead of an hour and a half.

Jean-Michel Beylard, Head of IT at Swiss Risk & Care Unirisc Group, states that "Since moving to Colt's IaaS, our applications have become much more responsive. The combination of modern, powerful infrastructure and faster, more reliable access means that all our operations run, on average, two-and-a-half times faster than before."

Chief Financial Officer's review

CONTINUED

Key performance indicators

The Board of Directors monitors the financial performance of the Group's operations on a regular basis. Details of the most significant KPIs used by the Group along with explanations of how the KPIs have been calculated and their purpose in assessing the performance of the business are set out below.

Group revenue	**2014** 2013	**€1,495.5m** €1,575.8m	Revenue and its growth are used for internal performance analysis to assess the overall performance of the business.	The revenue decline was due principally to our proactive withdrawal from low margin carrier voice contracts and regulatory-driven price reductions in Voice Services.
EBITDA	**2014** 2013	**€297.1m** €320.1m	EBITDA is profit for the year before net finance costs and related foreign exchange, tax, depreciation, amortisation and exceptional items. We believe that EBITDA represents a meaningful measure of the underlying operating profitability of the Group.	The EBITDA decline was due mainly to margin compression from regulatory driven termination rate reductions in Voice Services and product mix changes in the business, particularly in Network Services, partially offset by reductions in selling, general and administrative expenses.
Profit before tax and exceptional items	**2014** 2013	**€23.0m** €42.4m	Profit before tax is used as a measure of the overall profitability of the Group after adjusting EBITDA for the costs of depreciating the Group's capital expenditure.	The decline in profit before tax and exceptional items was driven by the reduction in EBITDA, slightly offset by a decrease in depreciation and amortisation.
Free cash outflow	**2014** 2013	**€(2.5)m** €(82.8)m	Free cash flow is net cash generated from operating activities less net cash used to purchase non-current assets and net finance costs paid. Free cash flow provides a measure of the cash generated from the Group's operations.	There was an improvement in free cash flow as a result of lower capital expenditure in 2014 and improvement in working capital.
Capital expenditure	**2014** 2013	**€245.5m** €326.9m	Cash capital expenditure is the amount of the Group's funds which have been spent on the purchase of assets retained within the business. It is a key enabler of future growth, particularly through expansion of our network and data centres.	The decline was a result of a €41.7m purchase of a strategic property in 2013 combined with lower spend in 2014 on internal IT systems and investment in our data centre capacity, both of which tend to be variable in nature.

Outlook statement

At a capital markets day in May 2012 Colt outlined several targets for revenue, EBITDA and strategic capex investment levels over the 2012 to 2016 period. These targets are no longer relevant due to an accumulation of factors over the last few years, particularly the sustained weakness of general macroeconomic conditions across Europe, and in the enterprise market in particular, and the continued aggressive regulatory impacts on voice termination.

While we remain committed to investing to develop profitable growth and improved returns for the business through a mixture of organic and inorganic programmes, our current priority is to improve cost control, returns on investment and free cash flow. We aim to update the market with more detailed medium-term plans at a capital markets day to be held in the second half of 2015.

Hugo Eales
Chief Financial Officer
25 February 2015

A smooth transition to digital content for one of the world's largest public film festivals

The Berlin International Film Festival (aka Berlinale) is one of the world's largest public film festivals with over 300,000 paying festival-goers. Berlinale required Video Transport and Connectivity services to ensure a smooth transition from storing films on physical media over to digital content broadcasting. Colt provided network, data centre and IT services to meet the enormous technical challenges presented by this level of digitalisation. Reliable, high-performance networking between the film office and the screening sites was critical to the festival's success and Berlinale were looking to partner with a network data centre and IT services provider who understood the festival's demands and constraints.

Working to tight deadlines and tackling logistical complexity, Colt implemented high-speed transport services between the film office and 20 of the cinema halls spread around Berlin. Using a managed Ethernet connection, Colt distributed digital content to the servers in each cinema. Leveraging its extensive metropolitan area network and data centre in Berlin, Colt delivered the network services and connectivity solutions to keep everything running smoothly during the busy festival period.

Dieter Kosslick, Director, Berlin International Film Festival, stated: "We know that Colt focuses on enabling its customers to meet their goals, rather than the purely technological aspects of any project. It's a philosophy that aligns perfectly with the festival's own service ethos."

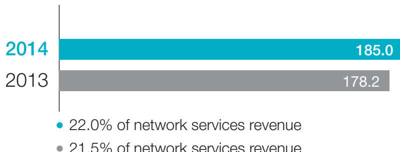
Network Services

Revenue (€m)

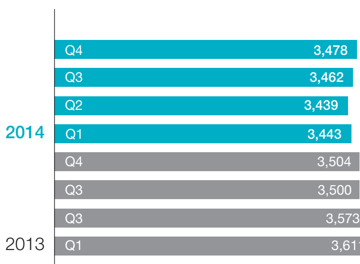
EBITDA (€m)

Capital expenditure (€m)

Revenue from Fibre Infrastructure Services (€m)



Revenue per connected building (€)



Executive summary

Colt provides data connectivity products and services from simple broadband access to complex managed networking solutions to support businesses and wholesale carriers across Europe, Asia and North America. Our services are dedicated to business and wholesale customers so our network investment is focused on the cities and information hubs (such as business parks, financial districts and major data centres) where our customers do business. Our network addresses the connectivity needs of the SME to the multinational through a combination of local access and international breadth.

Value proposition

Colt operates in 28 countries across Europe, Asia and North America with metropolitan area networks in 47 major cities as well as direct fibre connections into more than 22,000 buildings worldwide. This combination of local depth and international breadth means we can provide appropriate solutions from basic point-to-point services and Internet access to end-to-end managed network solutions, all with the business grade quality of services and increasing flexibility our customers require.

Our services

- Managed networking (for example ethernet private networks and IPVPN)
- Bandwidth services (including high speed services, Internet access and cloud inter-data centre connectivity)

Our customers

We directly serve the connectivity needs of medium to large business customers and wholesale carriers. We serve the needs of small and medium sized (SME) businesses through our distribution channels (resellers, agents, distributors and other service providers). We also offer industry tailored solutions for the information intensive users in our key industry verticals:

- Capital markets/financial services
- Media services
- Mobile network operators (mobile backhaul)
- Cloud service providers

2014

Colt network expansion in 2014 focused on providing connectivity for key partners and verticals, while expanding on past investment successes to build further capacity and reach. We introduced growth initiatives including wireless backhaul to mobile network operators as well as targeted plans to fill empty space in network-ready buildings and data centres. In Ireland, the continued demand for low latency connectivity across the Irish Sea funded a second PoP and a new fibre ring in Dublin. In the Netherlands we extended the existing Long Distance Network (LDN) to Utrecht, Den Bosch and Eindhoven and connected seven key partner and customer data centres. We added new low latency connectivity between Madrid, Lisbon and Porto to meet wholesale and enterprise demand on these key routes. We connected 24 new third-party data centres across Europe, with a focus on the UK market, and with the acquisition of KVH we now connect 521 third-party data centres globally. Over 900 new customer buildings were connected to the Colt network, bringing total on-net buildings to over 21,000 across Europe with a further *c.*1,500 added with KVH. We continue to be recognised for our leading ethernet services, winning seven awards at the Metro Ethernet Forum including Best Retail and Wholesale Provider in the EMEA region as well as Best Service of the Year in APAC.

For 2014, Network Services revenues grew 1.2% (2013: 0.1%), with the continuing decline of legacy SDH compensated by sustained strong growth in managed networking. EBITDA declined 6.0% to €234.8m (2013: €249.8m) as margins were pressured by a change in the revenue mix and increased provisioning of off-net business with the growth in managed networking.

Strategy

The strategy for Network Services is to drive maximum return on investment through:

- **Focus on key markets**: (1) **Industries**: Targeting industries which are intensive users of information and communication services and which require services and solutions that match with our core network services offering. Targeting multi-country businesses that will benefit from our reach and international connectivity. Targeting customers who will benefit from our local infrastructure. We also target valuable wholesale customers such as carriers. (2) **Locations**: Optimising the location and depth of our metropolitan area networks, to ensure we are physically present where our customers most need us in cities and hubs and provide sufficient depth of presence to meet their needs.
- **Focus on customer experience**: Offering relevant services and solutions for all our target customers, which leverage our network reach and depth, low latency and service security capabilities.
- **Focus on asset use**: Ensuring we maximise our reach and relevance to customers locally so that we maximise the profitable use of our network. We do this through local targeting and sales, street by street and building by building.

Voice Services

Executive summary

Colt delivers reliable carrier and enterprise grade voice services with a focus on customers in Western Europe and, through our recent acquisition of KVH, in Asia. We provide traditional telephony services as well as VoIP to both enterprises and service providers (carriers, cloud service providers).

Value proposition

We focus on multi-country provision, delivering a consistent end-to-end customer experience across Western Europe and Asia to enterprise and wholesale customers. Customers seeking simplified and consistent voice services across multiple geographies benefit from our licensed capability, our local expert people and fast, convenient service delivery. We also help customers transition from traditional legacy telephony to next generation VoIP and voice application services.

Our services

- **Enterprise voice services**
  We provide both traditional and next generation voice services. These include lines and calls, unified communications infrastructure and services, inbound connectivity services and contact centre solutions
- **Carrier voice services**
  We provide a full range of termination services, both traditional and VoIP

Our customers

We provide a full suite of voice services across 13 Western European countries, while a selection of our services is also available in further territories, including the new countries we have welcomed to the business with the acquisition of KVH. Our enterprise customers are businesses of all sizes in sectors including finance, business services, automotive and media. Our carrier voice customers operate in the telecommunications and cloud service provider verticals.

2014

In 2014 we were particularly encouraged by the developments in our strategic product areas of VoIP and service provider solutions where we grew 27% and 20% respectively, outperforming the market. We successfully planned and executed our strategic withdrawal from low margin carrier voice trading contracts and increased our focus on IN and VoIP businesses.

For 2014, the combination of our withdrawal from low margin carrier voice trading contracts and continued regulatory impacts contributed to a reduction in overall Voice Services revenues of 18.3% (2013: 4.9%). However, the €75.6m decline in carrier voice was driven entirely by the strategic decision to exit low margin carrier voice trading contracts. Enterprise voice revenue demonstrated improving trends, declining by 5.5% in the second half, roughly half the rate of the industry decline. Headline EBITDA was impacted by regulatory declines, reducing 6.1% (2013: growth of 30.8%) but the EBITDA margin improved to 13.3% (2013: 11.6%) with the evolution in the product mix, and should continue this trend with the full annualised effect of the withdrawal from low margin carrier voice trading contracts.

Strategy

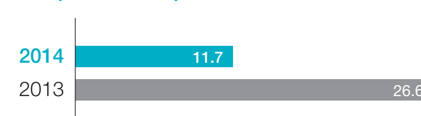
The strategy for Voice Services is to drive cash generation through:

- **Focus on key markets**: We target multi-country businesses of all sizes, as well as telco and cloud players who currently have limited fixed voice assets. Our investment is focused on our award winning VoIP portfolio and service provider solutions for wholesale customers.
- **Focus on customer experience**: We are focused on improving the efficiency of all customer facing processes and customer acquisition cost. In addition, we aim to help our customers transition from traditional legacy systems to next generation voice technology when their business is ready to do so.
- **Focus on asset use**: We are focused on fully utilising our voice platforms, particularly with high margin enterprise and service provider voice solutions where possible.

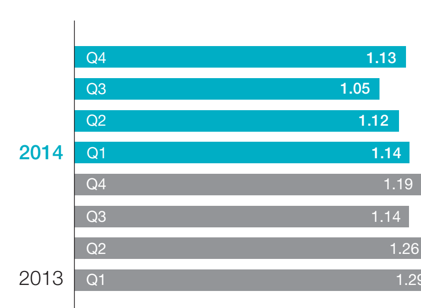
Revenue (€m)

EBITDA (€m)

Capital expenditure (€m)



Enterprise voice revenue per working day (€m)



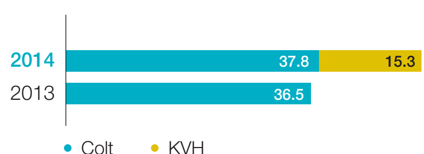
Data Centre Services

Revenue (€m)

EBITDA (€m)

Capital expenditure (€m)

Built out IT power (MW)



Executive summary

Colt Data Centre Services offers colocation and value added data centre services in secure, carrier neutral facilities across Europe and Asia.

Value proposition

Our customers need data centre space, but without the operational overhead required to build and manage their own facilities. Customers benefit from energy efficient, resilient facilities with advanced technology, run by local teams in multiple locations. With capacity on demand, customers can scale where needed while also benefiting from flexible commercial terms to help manage evolving business needs. This is a business where location is key – we operate 29 data centres globally, 22 in Europe and seven in Asia. In addition, we offer extensive third party data centre connectivity with 521 non-Colt data centres also connected to our network. Our colocation can be integrated with fully managed IT and cloud services where required, giving our customers access to the specific communities they are interested in, e.g. financial services/ capital markets. We also understand the industry specific requirements of our customers. Several of our latest generation data centres also offer a low PUE of 1.21 which results in power and cost savings for customers.

Our services

- Colocation – with requirements ranging from a single or partial rack to a fully dedicated hall and with flexible capacity terms available across our data centre estate
- Value added data centre services (remote & smart hands, disaster recovery office space, connectivity services)

We operate 29 carrier neutral data centres globally, 22 across Europe and a further seven in Asia.

Our customers

Each local market is different and the types of customers we deal with also vary by market. Our customers range from large enterprises requiring space to house their critical IT infrastructure to SMEs with smaller, rack-based, capacity demands. Our customers include several of the top financial institutions in Europe, media players and leading global cloud operators.

2014

During 2014 we increased our focus on retail colocation, where market demand remains strong. We have ceased active marketing of our modular ftec data halls this year, though we will continue to supply these where there is demand for standardised units. Customer demand for colocation space has seen us extend our data centre estate across Europe with the addition of space in new sites in Birmingham (UK) and Stockholm in addition to expanding our capacity in Hamburg and London. Through our acquisition of KVH we have a further seven sites with colocation capacity across Asia (Tokyo (three), Osaka, Hong Kong, Singapore and Busan). We have also increased our sales capability and developed our portfolio of value added services resulting in an enhanced service and support offering for our customers. Our Netherlands 3 colocation facility received a Data Centre Design and Build award and our London 2 data centre had its M&O Stamp of Approval renewed.

For 2014, Data Centre Services posted revenue growth of 8.0% associated with improvements in underlying colocation and ftec data centre sales. EBITDA improved 6.6% to €27.4m (2013: €25.7m) with a similar margin, 22.8% (2013: 23.1%), despite a larger contribution from lower margin ftec sales in the mix.

Strategy

The strategy for Data Centre Services is to drive maximum return on investment through:

- **Focus on key markets**: Provide relevant colocation services to target customers in each locality where we offer colocation services. Ensure we offer colocation services in the right locations; close to our customers, close to major Internet and financial exchanges and where we can generate the best returns on our investment.
- **Focus on customer experience**: Through local understanding of customer needs ensure we leverage our proximity to customers in all of our data centre locations. Differentiate ourselves through the provision of enhanced and more efficiently structured customer support services.
- **Focus on asset use and efficiency**: Optimise our cost of build and maintenance to maximise the efficiency of each data centre; drive use of existing space; and develop value added services that leverage our existing capabilities.

IT Services

Executive summary

We provide IT infrastructure, platform and workload solutions for enterprises and channel partners. Our latest generation cloud platform provides customers with a standardised set of modular managed IT services enabling them to build the solutions they need, without major capital expenditure, and with the flexibility to evolve the solution as their needs change. Our business is transforming towards this cloud platform from a historical focus on traditional hosting platforms. Our solutions can also be fully integrated with our network, data centre and voice services. Through our partnerships with leading technology vendors such as VMware, EMC, Solidfire, Symantec and Virtustream, we are positioning ourselves as a key facilitator of enterprise cloud. We provide integrated IT services that are efficient, flexible and secure.

Value proposition

We help our customers transition their IT from a more capex intensive, do-it-yourself approach to a flexible, opex-based outsourced model. We help customers integrate cloud with traditional hosting, and manage both older and emerging technologies within one seamless service. Customers benefit from our multiple locations across Europe and Asia. Our cloud platform resides in eight sites in six countries in Europe (UK, France, Germany, Spain, Italy and the Netherlands) making it one of the largest cloud footprints in Europe. We also have a cloud site in Asia (Hong Kong). Our multiple locations means customers can ensure their data is where it needs to be, totally secure and fully compliant with regulations. Our combined ownership of network, data centres and IT infrastructure facilitates fully integrated services that set us apart in this market. Everything we do can be delivered as a service, accessed when needed and paid for when used. The combination of our leading infrastructure and operational support ensure delivery of the high levels of performance, compliance and security our customers demand.

Our services

We have three key propositions on a mix of private, hybrid and multi-tenant cloud platforms:

- End users services (e.g. hosting large and complex customer virtual desktop solutions)
- Enterprise application hosting (e.g. optimised infrastructure for key application groups, such as ERP (e.g. SAP), infrastructure platforms and CRM systems)
- Business critical web hosting (e.g. Infrastructure-as-a-Service e-commerce platforms and other business critical applications)

Our customers

Our customers vary from SMEs to large multinational enterprises, systems integrators and cloud service providers.

2014

This year we completed the creation of our foundation cloud platform suite and have commenced the process of transitioning customers off legacy platforms. Our new cloud platform supports all our products and services and provides greater efficiency and scale as well as an improved end-to-end service experience for our customers. We also focused our product portfolio onto three key product areas where we see traction in the market and this helped us secure some significant customer wins. We were once again recognised as a "Leader" in Gartner's 2014 Magic Quadrant for Cloud-Enabled Managed Hosting, Europe[1].

For 2014, IT Services posted a revenue decline of 2.4% associated mainly with proactive churn in the legacy hosting business. The EBITDA loss increased to €25.8m (2013: €19.6m) associated with the investments in cloud services and the costs of the transformation of the business initiated towards the end of the first half of 2014.

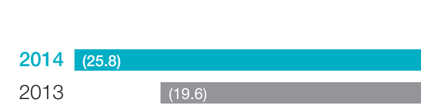
Strategy

The strategy for IT Services is to maximise return on investment through:

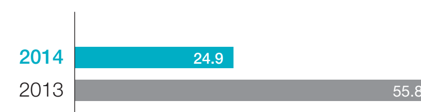
- **Focus on key enterprise IT service markets**: Target mid-sized enterprises in Europe and Asia, which require modular IT solutions rather than specialised and tailored IT services or commodity solutions; focus our offering into standardised, repeatable and value-enhancing solutions in the three areas of end user services, enterprise application hosting and business critical web hosting.
- **Focus on customer experience**: Continue to drive standardisation and ease of implementation and use of our products.
- **Focus on asset efficiency**: Target improved cost efficiency and profitability by rationalising and reducing our platforms and portfolio of services to better serve our customers.

Revenue (€m)

EBITDA (€m)



Capital expenditure (€m)



99.9%

PLATFORM AVAILABILITY IN BOTH 2013 AND 2014

[1] Gartner, Magic Quadrant for Cloud-Enabled Managed Hosting, Europe, Tiny Haynes, Gianluca Tramacere, Lydia Leong, Gregor Petri, Douglas Toombs, Bob Gill; July 2014. Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organisation and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

Market and regulatory environment

Macroeconomic and market environment

The macroeconomic environment in Western Europe is one of slow and tentative growth. The recovery remains uneven with protracted low growth and low inflation expected to feature in 2015, with the possibility of deflation in several markets. Annual GDP growth is projected at 1.2 % in 2015 and 1.5% over the medium term.

The three largest geographic markets for Colt are the UK, Germany and France. GDP in these countries grew in 2014 from 0.3% in France through 1.0% in Germany to 2.7% in the UK. Growth in the UK and Germany is expected to improve in 2015, but France is expected to be weaker. Italy, Spain and Portugal are also important markets for Colt and these economies are expected to improve towards moderate growth in 2015, from 0.8% growth in Portugal, 1.9% growth in Spain, and a decline of -0.5% in Italy in 2014.

With the KVH acquisition Japan has become another important market for Colt, and here the economy fell into recession in the third quarter of 2014. Policy responses such as quantitative and qualitative monetary easing are expected to lead to recovery in 2015–16. Slower growth in China may also have important regional effects, partly explaining recent downward revisions to growth in much of emerging Asia.[1] However, the Asia Pacific ICT services market in which KVH operates is currently growing at around 12% per annum.[2]

In Network Services, the market for fixed line network services in Western Europe is forecast to grow 1% in the medium term with 12% growth in Ethernet balanced by a 19% decline in leased line services (mainly SDH).[3]

In Voice Services, the market for enterprise customer spend across Colt geographies is forecast to decline by 12.2% per annum over the medium term[4] due principally to substitution of traditional voice by mobile, email, social media applications, other over-the-top services and continued price erosion. Conversely, fixed enterprise VoIP services are forecast to grow 11.6% and IN by 3.7%.[5]

Data Centre Services markets vary city by city, with pan-European peers posting growth rates ranging from 9% to 14%. Colt is focused on the colocation market which is expected to grow 8% across Western Europe in the medium term (from 2014 to 2018).[6]

In IT Services, the enterprise IT market is largely flat, but within this there are pockets of growth. Using Gartner data we estimate the total market size in 2014 for all the markets in which Colt IT Services currently participates is US$31bn, and this is expected to grow at 9% CAGR 2014 to 2018. This includes Infrastructure Services, Cloud Compute services, Infrastructure Utility Services and Hosting. Within this the cloud infrastructure market is expected to grow 32%[6] and managed hosting, which still constitutes a large proportion of Colt IT Services existing business, is growing at 8%.[6]

Regulatory environment

Colt operates in markets that remain highly regulated. Colt is subject to economic regulation such as competition law, communications sector regulation and other forms of regulation such as data protection. Colt also recognises the importance of regulation as it applies to its customers.

As a communications services provider, Colt is subject to sectorial rules. National Regulatory Authorities (NRAs) in the European Union operate within a common European regulatory framework. This focuses on Communications Providers who dominate defined economic markets which vary between Member States. NRAs conduct regular market reviews to assess whether there is effective competition and, if one or more providers has a dominant position, they can impose regulatory remedies. Colt is not deemed to be dominant in any market except for some national markets for fixed call termination. For Colt, the existence of the European Framework is generally beneficial, since it provides the basis for NRA's regulation of the terms and conditions (including pricing) of some wholesale services that Colt purchases from incumbent operators.

Impact of regulatory developments on Colt

Voice call termination

Similar to other operators, Colt's revenue has been impacted by the reduction in mobile and fixed termination rates. We expect mobile termination rates will converge to just below 1 Eurocent per minute on average across the EU by around Q3 2015, with the exception of Germany and Switzerland, where rates are expected to remain higher. Similarly, we expect fixed termination rates to stabilise at approximately 0.1 Eurocent per minute from January 2016, again with Germany and Switzerland being an exception. The total impact of termination rate reductions on Colt revenue in 2014 was €20m (2013: €38m) with the period of most significant reductions now behind us in most markets.

[1] Source: IMF–World Economic Outlook, October 2014 and January 2015.

[2] Source: IDC (2013), Fuji Chimera research (2013), KVH analysis.

[3] CAGR 2011 to 2017, Source: IDC EMEA Telecom Database Ovum Enterprise Ethernet Service Forecast 2011–18.

[4] 2012 to 2017. Source: Ovum Enterprise Consumer Fixed Voice Forecast 2014–19.

[5] 2012 to 2017. Source: IDC EMEA Telecom Database.

[6] Forecast: IT Services, Worldwide, 2012-2018, 4Q14 Update Published: 15 December 2014 ID: G00261482

European regulatory shift towards supporting fibre investment

The European Commission's (EU) and national regulators' push to increase investment in fibre reflect the policy targets set by the EU Digital Agenda.[1] The direction they are now setting looks to allow greater reward for infrastructure investment. The overall stance of policy makers is increasingly deregulatory, including a more merger friendly environment.

A regulatory environment rewarding infrastructure investment has positive implications for Colt, yet the policy also carries risks. First, there is a risk of increased churn at the lower end of the market. Nevertheless, customers may be willing to trade increased bandwidth at a lower cost delivered by residential providers against the benefits of security, service quality and resilience offered by Colt, in particular in the Small and Medium Enterprise (SME) segment.

Second, there is a risk that regulatory changes are not implemented in a balanced way. Multi-site businesses need a single provider for all their national sites. To give businesses choice, service providers need to be able to buy business grade wholesale access connections on regulated terms where markets do not provide them. To be effective these inputs need to allow providers to be responsive to customer needs from a technical, quality and cost point of view.

In addition to wholesale access connections, regulated access to duct and dark fibre are crucial enablers for increased infrastructure investment, thus giving business customers adequate choice. Such access facilitates our network expansion strategy, allowing us to control our network assets more fully. Customers value this because they understand it allows Colt to provide increased levels of quality assurance and service flexibility compared to where Colt connects a customer through an off-net connection.

Colt will continue to work with regulators at national and EU level as well as through industry associations to secure a balanced outcome.

Opportunities of cloud computing

A large number of EU and national legislative measures around security and the protection of data continue to evolve. These are most notably European data protection reform, draft legislation on cyber security both at national and European levels as well as specific requirements for the security of telecommunications networks. For example, the draft Cyber Security Directive[2] requires security measures for SMEs and providers of "critical infrastructure" (including but not limited to energy, financial services, transport and health). National implementation of this EU legislation is likely to go hand in hand with specific national rules in this space. These proposals are in part already reflected in demand by our customers who seem to be ahead of policy makers: Colt customers are asking increasingly for greater assurance around the protection of their data, including specific security policies and measures. Colt considers these policy proposals as an opportunity as long as their implementation is balanced and pragmatic.

Colt continues to focus on providing customers with security assurance based on certification to ISO 27001 where required. During 2014 we have further extended the scope of our certification to include our MPLS network, along with a number of other related services. This scope will continue to increase in 2015 to cover more services. During 2015, we also plan to move our existing certifications from ISO 27001:2005 to the latest ISO27001:2013 version of the standard. In certifying elements of our network, we are also addressing the generic requirements of Article 13 of the European Framework Directive.[3]

The proposed EU Data Protection Regulation, likely to come into force in 2017 at the earliest, will replace the current patchwork of national laws. While Colt expects this to simplify compliance through a consistent set of rules, Colt already understands and fulfils customer requirements in relation to the protection of customer data in each Colt footprint country. Colt's extensive data centre estate, spread across Europe and Asia, allows customers to choose where their data resides when they put it into the Colt cloud.

Colt is watching the policy debates in this field closely and engages in discussions with key stakeholders, including our customers, to ensure that we are in a position to meet regulatory and customer concerns as legislation, threats and customer demand for solutions evolves.

Management of regulatory risk

Colt manages regulatory risk by ensuring that changing requirements in each footprint country are identified and tracked centrally to facilitate communication to the relevant parts of the business. This facilitates early identification of regulatory changes and patterns across countries, in turn facilitating business planning and adequate responses. This includes working with regulators to achieve pragmatic solutions in satisfying a public policy aim, providing evidence in support of regulation where appropriate, or litigation as may be required.

[1] "Digital Agenda for Europe" is that every citizen in Europe should have access to 30Mbps broadband by 2020, with 50% of subscribers taking up 100MB/s services. https://ec.europa.eu/digital-agenda/node/1505.

[2] Proposal for a Regulation of the European Parliament and of the Council laying down measures concerning the Europe single market for electronic communications and to achieve a Connected Continent, and amending Directives 2002/20/EC, 2002/21/EC and Regulations (EC) No 1211/2009 and (EU) No 531/2012.

[3] Directive 2002/21/EC of the European Parliament of the Council of 7 March 2002 on a common regulatory framework for electronic communications networks and services ("Framework Directive").

Shurgard chooses Colt solutions and reduces OPEX costs by 40%

Shurgard is the leading self-storage company in Europe, and is part of Public Storage, the largest storage solutions provider in the United States. The European operations span 189 storage locations and they provide tailor-made storage solutions to their 100,000 business and private customers.

Shurgard was looking to improve its disaster recovery capabilities. To ensure business continuity, it also needed to move its IT equipment to a new data centre in the Netherlands.

Colt already hosted Shurgard's business critical applications in Colt's primary, carrier neutral data centre in Belgium, including the in-house developed CRM solution IPharos as well as a centrally managed IP telephony solution. Shurgard and Colt worked closely together to ensure that the relocation of IT equipment to the new colocation facility was as swift and smooth as possible.

Tailoring to Shurgard's specific requirements, Colt took care of the design, testing and on-site support during the migration. Shurgard now has a fully fledged active data centre environment and also took advantage of communication services including Colt's IP Voice and VoIP Access, helping centrally manage voice traffic while taking full control of call routing across all countries in Europe.

Dany Bruggeman, IT and Project Director at Shurgard, stated:

"Colt's project management capabilities, and their experience in supporting customers with moving IT infrastructure, really helped to make the migration straightforward and hassle-free. We had our IT systems up and running in two days in our new Colt data centre."

Managing our risks

Risk	Mitigation
Global and regional economic conditions The Global economy represents a mix of both opportunities and risks for Colt. The recent growth in the US and UK, fluctuating oil prices, the fragile recovery in the European Union, the slowing of emerging economies, Russian sanctions and recession in Japan could singularly or together have the ability to create headwinds globally and impact multiple regions. Further, volatility could adversely affect Colt's results by muting the confidence of Colt's customers across its global footprint. Adverse economic conditions also increase the risk of asset impairment and impact short-term investments; however, they may also create opportunities as our customers seek to reduce costs and outsource their ICT operations.	The Group cannot completely mitigate this risk. However, the following mitigations are key: • The recent acquisition of KVH represents a strategic move to diversify Colt's operations across multiple economic regions and reduce its historical dependence on the EU market. It also places Colt closer to China and India, two of the largest emerging market economies. • The Group's financial planning processes provide ongoing management of cost versus revenue performance. • Investments are restricted to AAA money market funds that do not have sovereign debt exposure and deposits with approved counterparties. • Rigorous customer and supplier due diligence processes. • Established appraisal, prioritisation and monitoring processes in relation to business growth initiatives.

Risk	Mitigation
Infrastructure operations As Colt serves its customers through multiple technologies and across multiple geographies, there is an inevitability that technical faults and outages can occur. Accordingly, we have established incident processes that address these 24×7. In contrast, this risk refers to a major or prolonged disruption in the form of a critical physical loss, damage, failure or limitation of capacity to one or more of Colt's data centres, network, network management centres, nodes or key IT systems. Such a failure could disrupt our business or customers' business. This could have an adverse impact on the Group's reputation, business and financial condition including asset carrying values and operating results.	Colt has established processes to effectively deal with this risk and reduce exposure, including: • A network designed with resilience built in. • Dedicated teams and supplier services to manage and maintain the infrastructure and equipment to ensure failures are minimised. • Infrastructure monitoring and fault resolution by our Operations Centre. • A business continuity and crisis management capability.

Risk	Mitigation
Changes in laws and regulation The communications industry is highly regulated in all the countries where Colt provides services. Regulation also affects the competitive landscape by impacting, for example, Colt's cost of inputs including "interconnect", and the profitability of its on-network business. In addition, Colt is required to respond to a number of new regulatory developments including environment laws, new EU security regulations and tax changes by national governments in response to the fragile European economy. The Group is therefore subject to uncertain and changing regulatory issues that could potentially affect the way it operates in different jurisdictions, and impact on its results.	Colt has in-house legal and regulatory capability that ensures risks and opportunities are understood and managed, and that compliance is maintained. With regard to environmental and security regulation, Colt does the following: • We maintain certification against the ISO 14001 Environmental Management Standard. • We work actively with the regulators and the business to address EU Article 13 and ND1643 security regulation requirements.

Managing our risks

CONTINUED

Risk	Mitigation
Information security The security risk profile of Colt's IT environment is changing as key technologies converge and new cloud technologies are adopted. Similarly, the sophistication of cyber criminals is increasing. If the Group fails to invest in and maintain an adequate information security organisation, with associated processes and tools, there is a risk of security breaches and consequent reputation damage. Further, an inadequate information security capability may impact our ability to secure revenues as customers and regulators demand more security assurance over our services.	Mitigating actions to reduce exposure to this risk include: • Security policy framework with supporting security baseline standards for many technologies. • Alignment, and increasingly certification, to ISO 27001. During 2014 Colt has increased the scope of its certification to include a number of its network services, and the remainder of its data centres. • A robust Cyber Security Incident Response Team (CSIRT), supported by a number of state-of-the-art malicious software detection tools. • We include security requirements as standard when developing all new services and systems.

Risk	Mitigation
Service model and customer intimacy Colt is focused on delivering an exceptional customer experience across its portfolio of products and services. Customers' expectations vary and are dependent on the service offered. Our increasing service focus requires a greater degree of customer intimacy and a shift to a more industrialised, measurable and formalised approach to meeting customer requirements across our portfolio. Any failure to assess and change portfolios, skillsets, culture, organisation, processes and systems accordingly could result in reputational risk that could also impair growth.	Colt is actively pursuing a number of initiatives to drive its exceptional customer experience agenda, including: • The reorganisation into lines of business is bringing greater focus on the service portfolios and delivering end-to-end accountability. • The focus on key vertical industries ensures we deliver appropriately tailored service propositions to the industry. • A go-to-market realignment with the lines of business drives more effective customer service. • Automation and operational change programmes bring greater agility and quality control to our service delivery. • An ongoing programme to up scale and mature Colt's customer shared services capabilities. • Improved performance management monitoring to identify and respond to service issues. • Instigated the Colt Academy programme to help develop our people, skills and culture appropriately (detailed on page 36).

Risk	Mitigation
Changes in technology and competitive risk Colt's lines of business are subject to unique and diverse technology and competitive risks. Across networking and telephony, competitors are driving technology integration to achieve a lower cost to serve which has increased margin and price risks. The industry also anticipates more disruptive "Voice over IP" and wireless propositions as the use of traditional technologies declines. The continued increase in the number of connected devices, mobile data growth and the rise of "big data" all increase demand for bandwidth, which has served to offset the above-mentioned price pressures. In IT services, the pace of change is even faster as competitors explore disruptive propositions in the cloud and "as-a-service" spaces. Similarly, as organisations respond to the cloud and the implications on their computing infrastructure, this brings risks and opportunities to Colt's data centre services model. Failure to adequately innovate, manage, monitor and respond to any of these aspects could have an adverse effect on Colt's business and financial condition, including asset carrying values, and operating results.	Colt has established effective business planning processes as well as business development strategies to proactively counter this risk. As such, we see this risk as a potential opportunity. Mitigating actions include: • A proactive innovation and prototyping capability that aims to establish disruptive propositions for Colt to take to market. • An established technology and architecture board to evaluate and prioritise responses to industry and technology changes. • Portfolio development capabilities to drive proactive and reactive commercial propositions.

Risk	Mitigation
Geopolitical risks with particular emphasis on Colt's shared service centres Colt generally operates in countries that have a low geopolitical risk profile; however, there are exceptions: • Shared Services – We operate our shared service centres (SSC) in India (Gurgaon and Bangalore), Spain (Barcelona) and Romania (Sibiu). While India has the highest risk profile, we recognise that all these centres represent concentration points where many processes, critical to the effective daily operations of Colt, are located. • KVH Japan – While Japan is considered low risk from a political perspective, it has significant natural disaster risk, with exposure to earthquakes, volcanoes and tsunamis. Physical loss, damage, network isolation or restriction of timely access to the Group's SSCs or KVH assets in Japan could disrupt Colt's business, or our customers' businesses. This could have an adverse impact on the Group's business, financial condition, operating results and reputation.	Mitigating actions to reduce the exposure include: • General – Physical risk assessments are performed across Colt and security teams have communications and response processes for emerging geopolitical threats. • Shared Services – We operate multi-site operations in India and Spain and are working on establishing the same in Romania, to ensure continuity of operations in the event of localised disruptions or loss. We also have dedicated business continuity specialists in India and Spain and at Group level to test these processes. India, the larger SSC, is accredited against the international business continuity standard ISO 22301. • KVH Japan – Business continuity and crisis management plans have been established and tested. All KVH data centres sited outside AAA rated (low earthquake risk) areas have been constructed and reinforced to withstand seismic activity and JMA Intensity 6 earthquakes.

Managing our risks

CONTINUED

Risk	Mitigation
Supply chain The Group is reliant on a number of key IT software, service and communications equipment suppliers to ensure a consistent and effective supply chain and to meet its business plan commitments. Any financial or operating weakness of key IT software suppliers, service suppliers or communications equipment suppliers, which affects their availability, consistency and/or reliability of delivery could affect the Group's performance.	Mitigating actions to reduce the exposure include: • Sourcing – We operate dedicated procurement functions to manage supplier relationships, establish dual vendor strategies and monitor key suppliers' ability to serve our needs. The functions also engage with Group Business Continuity to perform key supplier risk mapping and assessments. • Inventory – We operate an established "hub and spoke" inventory distribution system, including buffer supplies and use of a globally recognised distribution partner.

The risk management process links directly to the strategic objectives and enabling actions of Colt and is aligned to the annual budget process. This ensures risk related spend is considered, and where necessary, incorporated in the budget. On an ongoing basis both senior management and Directors collectively evaluate the Group-level risk landscape to ensure that the overall risk management process remains aligned to Colt's business objectives and the operating environment.

Treasury policy

The Group operates a centralised Treasury department that reports to the CFO and is accountable to the Board for managing treasury activities in accordance with a framework of treasury policies and procedures approved by the Board. It is an overriding policy that trading in financial instruments for the purpose of profit generation is prohibited, with all financial instruments being used solely for risk management purposes.

Within the policy framework the Treasury department's principal responsibilities are:

- to manage the Group's core funding, liquidity and working capital requirements;
- to ensure the Group has access to a variety of short and longer-term funding options;
- to manage exposure to foreign currency movements;
- to manage exposure to interest rate movements;
- to control and monitor bank credit and counterparty risk; and
- to manage the Group's relationship with banks and rating agencies.

The Group's principal treasury risk exposures are as follows:

Risk	Mitigation
Liquidity risk: That the Group does not have sufficient funds to meet its liabilities.	The Group prepares rolling short-term and medium-term cash forecasts to ensure that it retains sufficient funds to meet its liabilities as they fall due. The Company's investment policies restrict investment of surplus cash in long-term financial investment vehicles.
Foreign exchange risk: The Group's principal revenue, costs, assets and liabilities, including intercompany debt financing were denominated in Euros during 2014. Of the remaining currencies, Sterling is the largest exposure along with the US Dollar.	The Group seeks to match foreign currency assets and liabilities where possible and hedging is considered for significant foreign currency exposures.

Risk	Mitigation
Interest rate risk: Interest is earned on short-term cash deposits at variable as well as fixed rates; changes in interest rates will impact the amount of interest income earned.	The Group seeks to maximise the return earned on surplus cash invested, within the bounds of acceptable counterparty risk management, but does not enter into derivative or other financial instruments to hedge this risk.
Counterparty credit risk: Financial assets which potentially subject the Group to concentration of credit risk consist principally of trade and other receivables, cash and current asset investments. Cash includes short-term and money market deposits as well as liquidity fund investments, all deposited for up to three months.	Cash and short-term investments are invested either in AAA unsecured money market mutual funds or placed on term deposit with approved counterparties. Management believes the concentration of credit risk associated with trade and other receivables is minimised due to distribution over many customers in different countries and in different industries. The Group has not experienced any losses to date on its deposited cash or current asset investments.

Credit rating

Two credit rating agencies, Moody's Investors Service and Standard & Poor's Ratings Services, publish credit ratings for the Group. During the year both Standard & Poor's and Moody's reviewed their ratings, which were maintained at their previous levels.

As at 31 December 2014 and 31 December 2013, the Group's long-term credit ratings provided by these two agencies were as follows:

Rating Agency	Rating 2014	Outlook 2014	Rating 2013	Outlook 2013
Moody's	Ba3	Stable	Ba3	Stable
Standard & Poor's	BB	Stable	BB	Stable

Capital management

The following table summarises the current capital of the Group:

	2014 €m	2013 €m
Cash and cash equivalents	77.4	195.6
Finance lease liabilities	40.9	–
Equity attributable to the owners of the Company	1,519.9	1,511.1
Share capital and share premium	1,407.1	1,405.5

The Board regularly reviews the Group's funding and capital requirements. The Group's long-term policy is to finance the Group centrally using a mixture of equity and debt, accessing both longer-term capital markets and short-term bank finance as circumstances require. The Group's capital structure is reviewed on a regular basis in response to business developments. The Group continues to believe that there are significant growth opportunities for the business and in this context has not declared a dividend in 2014.

In August 2014, the Group put in place a revolving credit facility for €150m with three banks, with an initial term of three years, with extensions available at the Company's option for a further two years. This will provide funds for the Group's ongoing working capital requirements. At 31 December 2014, this facility was undrawn.

Our people

Colt's global representation through employee nationalities

Number of employees around the globe

Our people strategy

Our people strategy is to create a high performance culture at Colt. We believe that with the right level of talent, customer focus and organisation, we can generate the creativity, energy and results that will make Colt a rewarding place to work as well as delivering what our customers want.

2014 was a year of significant change for our colleagues. During the year we completed the restructuring of Colt along four lines of business: Network, Voice, Data Centre and IT services. We believe this restructure means our people are now better aligned with our customers and focused on the key elements of our business.

Respecting cultures, personalities and approaches along with our clear philosophy, operating strategy and set of values helps ensure that everyone at Colt can work together towards our common goals.

Engaging our people

In 2014, we conducted our annual employee engagement survey in order to learn more about what colleagues think about working at Colt. We had the highest response rate to date and the feedback was largely positive with 81% of colleagues stating they are proud to work for Colt, 94% of people fully support our values and 93% are willing to work beyond what is normally required to help Colt succeed.

This valuable exercise brought to our attention some areas in which we can improve. One of these areas is Leadership and our executives have increased their visibility across all locations to answer questions and gather feedback in a year of significant change. We have also introduced 360 degree feedback at senior management level in order to improve leadership skills.

In 2014 we created the Colt Ambassadors, an initiative where colleagues from multiple locations and varying levels of seniority come together to provide feedback on plans for change within the business and also to help communicate these plans out to the wider Colt community. This initiative has seen these volunteers develop as future leaders and has contributed directly to how we lead change at Colt.

Developing our talent

In 2014, we made a commitment to create a Colt Academy, an initiative which aims to educate and develop the skillsets among colleagues and managers. It is designed to support change and help our business to grow. The early work of the Academy has been focused on developing our leaders and we expect to extend the programmes in early 2015 to colleagues in sales and customer service. The Academy will ensure we have the right skills and culture for future success.

Employees	
Austria	44
France	349
Netherlands	127
Germany	602
Denmark	17
Sweden	22
United Kingdom	970
South Korea	2
Belgium	97
Japan	383
China	3
Switzerland	115
Italy	176
Portugal	31
Romania	87
Ireland	27
Hong Kong	25
India	1,386
Spain	959
Singapore	19

At Colt, we believe in our people and their talents. We are defining career and development paths to ensure that we have a strong flow of skills and experience into and within the business where we need it most. Our focus is to develop talent and identify future leaders who will help our business succeed.

Charitable spirit

We have some remarkable people at Colt and not just in terms of their professional contribution. The Colt Charity Bike Ride has been running for a few years now, bringing together a large number of colleagues from across the organisation to raise money for a good cause, and this year's event was bigger and better than ever. It involved 65 riders from across Europe cycling from Amsterdam to Frankfurt, covering 550km in four days. Job titles were cast aside as colleagues worked together to organise the event and cycle the route. They raised €105,334 for our local charity partners who all support the vulnerable young people in our local communities.

The bike ride was a great example of teamwork and commitment leading to a fun, rewarding experience and was an excellent demonstration of the positive spirit that exists within the Company. The initiative led Colt to be recognised as a finalist at the Capacity Magazine Awards in the category "Special Recognition for CSR".

All Colt employees are entitled to two annual volunteer days where they may give back to our communities via a range of CSR activities such as attending schools in their locality and providing assistance. These volunteering and fundraising activities help our people to develop their skills and improve teamworking across the company.

Pictured Above: Colt volunteers supporting local children at a school in Gurgaon, India.

Pictured Below: The 2014 Colt Charity Bike Ride from Amsterdam to Frankfurt benefited charity partners in ten European cities.

We are making excellent progress with our environmental and sustainability priorities

Colt took another significant step in 2014 when CSR experts EcoVadis awarded us “Gold” Scorecard status after evaluating our overall CSR programme. EcoVadis helps companies to monitor the sustainability performance of their suppliers and we were pleased to learn that our score ranks in the top 5% in our industry and met all their requirements for a gold award recognising our significant progress from 2013 when we achieved the silver award.

The benchmark methodology examines 21 CSR related criteria within four categories: Environment, Labour Practices, Fair Business Practices and Sustainable Procurement. Due to our energy-intensive activity, as a data centre services provider, Environment is a key focus for us. Here, we were benchmarked 70/100, one of the highest scores delivered by EcoVadis in our industry. This success was due to Colt’s company policies, the endorsements of external CSR initiatives such as the Carbon Disclosure Project and the EU Code of Conduct for Data Centres, as well as an analysis of certifications, measures and reporting in place.

In particular, EcoVadis was impressed with Colt’s successful energy efficiency programme, which has delivered over 17,000 tonnes of CO_2 savings over the past four years, supporting the Company’s commitment to continuously mitigate its environmental impact.

Corporate social responsibility

Our vision

We believe in delivering business results in a responsible way. We also believe in applying our technology and expertise in a way that benefits social and environmental issues.

Our strategy

Our CSR activity, led by the CSR Steering Group and chaired by Executive Committee member Richard Oosterom, remains focused on four key areas: Environment, Customers and Suppliers, People, and Community.

Our performance

Colt has been confirmed as a constituent of the FTSE4Good Index Series which recognises companies that meet globally recognised Environmental, Social and Governance standards. We were also awarded a "Gold" CSR rating by third-party analysts EcoVadis (2013: "Silver"). This is an above average rating for our industry.

Due to the energy-intensive nature of our business activities, Environment is a key performance area. Here, we were benchmarked a very respectable 70/100.

We are committed to CSR and will continue to set ourselves annual targets which are outlined in the table on page 42.

Environment

We worked hard to maintain and improve our ISO 14001 certification in 2014, ensuring our activities are sustainable and help to make Colt an energy efficient company with both cost and environmental benefits. Our environmental management system is now integrated with our safety management system to provide further efficiency improvements.

To manage our environmental impact, we continued with our energy efficiency programme which now shows a reduction of 17,000 tonnes of CO_2 equivalent, as well as €4.6m in power costs per annum[1] for the period 2010–2014. This was driven by a 2010–2014 PUE[2] reduction of 19% across 72 major sites, including both data centres and our telecommunications nodes, with total estimated savings of 49.8 GWh power consumption to date.

[1] Based on the calculated average carbon density (greenhouse gas emission factor) and energy costs of Colt's data centre estate. Efficiency programme is ongoing and these savings relate to only a portion of Colt's data centre portfolio.

[2] PUE is defined as power usage effectiveness which is a metric used to determine energy efficiency in data centres. PUE is calculated by comparing the total power used by a data centre to the actual power delivered to a computing device.

Corporate social responsibility

CONTINUED

17,000

TONNES

Reduced use of CO_2 equivalent through 2010 to 2014 energy efficiency programme

In May we published our 2013 carbon footprint to the CDP (Carbon Disclosure Project). Following GHG[3] Protocols and new DEFRA[4] carbon emission factors, we achieved our best ever climate change rating of 66/100, which is above the international CDP average.

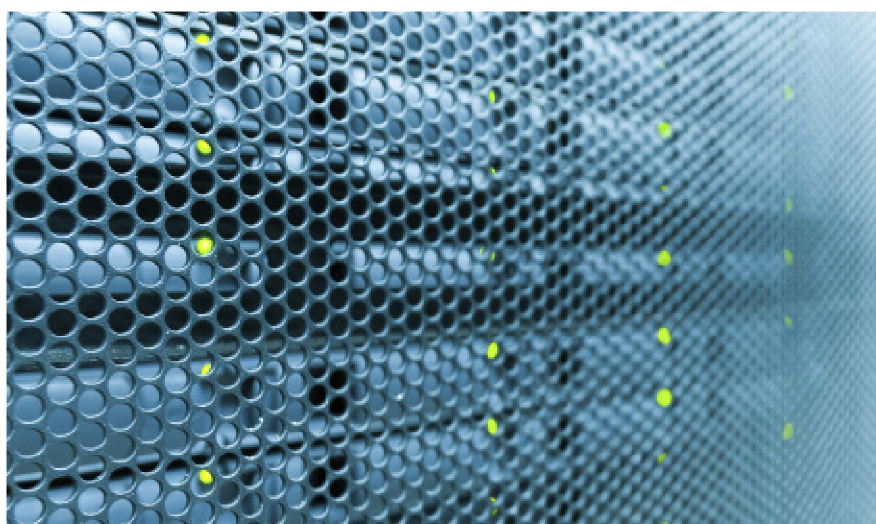
Colt's carbon footprint – Greenhouse gas emissions statement

Boundary summary	All global operations of the reported years were included
Emission factor data source	DEFRA (2013 factors, 2012 factors)
Assessment methodology	The Greenhouse Gas Protocol
Intensity ratio	Emissions per €1m of revenue

Greenhouse gas emissions (1)	2013 (tCO_2e)	2012 (tCO_2e)
Scope 1: Fuel combustion, fleet vehicles	1,947	1,939
Including scope 1 of facilities (2)	0.54	0.31
Scope 2: Purchased Electricity	110,033	115,583
Scope 3: Business travel, transmission and distribution	15,024	14,259
Total carbon footprint calculated	127,004	131,782
Saving resulting from energy efficiency (estimated) (3)	16,500	15,000
Intensity ratio: per €1m of revenue	71	73

UK Carbon Reduction Commitment (CRC) (4)	2013/2014 (tCO_2e)	2012/2013 (tCO_2e)
Emissions falling under the CRC scheme	58,602	56,079

(1) In June 2015 we will publish our 2014 carbon footprint to the Carbon Disclosure Project, after all relevant data has become available.
(2) Includes fuel from the generators of our data centre sites.
(3) Based on the calculated average carbon density (greenhouse gas emission factor) and energy costs of Colt's nodes and data centre estate, which are Colt's focus area for energy efficiency as our main emitting source.
(4) As Colt has signed Climate Change Agreements for our three UK data centres, we expect a reduction of the scope of the UK operations falling under the CRC for the 2014/2015 reporting period.



[3] GHG Protocols of Green House Gas emissions have an accounting methodology that includes three categories. Scope 1: All direct GHG emissions. Scope 2: Indirect GHG emissions from consumption of purchased electricity, heat or steam. Scope 3: Other indirect emissions such as business air travel.

[4] Department for Environment, Food and Rural Affairs, UK.

8,200

Volunteering hours up 99% on 2013

As at 31 December 2014 the Colt Group total employee base reflected a gender diversity of 24.2% female to 75.8% male. Following the appointment of Jennifer Uhrig on 1 January 2015, female representation on the Board has improved from 20% to 30% as from 1 January 2015.

	Female		Male		Total	
Directors	2	20.0%	8	80.0%	10	100%
Senior Executives	12	10.8%	99	89.2%	111	100%
All employees	1,315	24.2%	4,123	75.8%	5,438	100%

Customers and suppliers

We help our customers and suppliers reduce their impact on the environment by creating more environmentally friendly, energy efficient IT service alternatives.

Colt's Network, Voice, Data Centre and IT services support lower emissions for our customers. For example, encouraging the use of communications services can help drive a reduction in business air travel.

We are well positioned to support our customers' own sustainability agenda, providing them with services based on our energy efficient infrastructures that can help them reduce their overall emissions.

Our Procurement and Supply department has surveyed the CSR activity of our top strategic suppliers. Our assessment included a number of ethical and environmental control measures, improving our existing knowledge of our strategic suppliers' CSR programmes and our capability to prevent CSR-related risks in our supply chain.

People

Our people aim to create a great working environment for our employees. We believe that a diverse, motivated and values-driven workforce achieves more for themselves, those around them, and the business as a whole.

Our Code of Conduct ensures our conduct and responsibilities comply with all of the International Labour Organisation's Fundamental Principles. Completion is mandatory for all employees. We also support diversity and our equal opportunities policy, applicable in all of our regions, is designed to avoid discrimination in all aspects of the employment relationship.

As part of Colt's global presence we are able to enjoy a diverse workforce represented by 70 different nationalities. Colt's multicultural environment enables us to effectively work within the numerous communities in which we are based.

Community

In 2014 we had the greatest employee involvement to date with local charities, supporting our common cause of enhancing the lives of disadvantaged children and young people, in the cities where we operate. Every Colt employee has two days a year to volunteer, either with our local charity partner, or for an organisation of their choice.

In 2014, Colt employees registered over 8,200 volunteering hours, up 99% on 2013.

Across Colt, we raised over €157,094 for charitable causes in 2014 (2013: €155,020), making it the highest value raised from a combination of annual employee fundraising (over €107,074) and Company donations (€53,020) since the start of the CSR programme.

We remain committed to CSR, having to date dedicated the equivalent of €0.9m in employee time to volunteering causes. Our goal is to have a measurable, positive impact on the lives of disadvantaged children in the cities where we operate.

Corporate social responsibility

CONTINUED

	2014 target		What we did in 2014	2015 target
Environment	Continued energy efficiency to deliver a further 2.2GWh power consumption saving.	✓	2.4GWh power consumption and over 750 tonnes of CO_2 equivalent saved.	Continued energy efficiency to deliver a further 1.5GWh power consumption saving.
	Increase video conferencing usage by 10%. A further 3% reduction in business flights.	✓ ✓	10.5% video conferencing increase supporting a record 19% reduction in number of business flights, saving over 335 tonnes of CO_2 equivalent.	Increase audio and video conferencing usage by 5% to mitigate business travel.
	Integrate ISO 14001 and OHSAS 18001 systems to deliver continuous improvements.	✓	ISO 14001 and OHSAS 18001 delivered continuous improvement.	Maintain ISO 14001 certification and deliver continuous improvements.
Customers and suppliers	Implement changes in our operations within customer challenges identified by our customer satisfaction programme. Further improve Net Promoter Score.	✓ ✓	Customer challenges addressed by structured operational changes programme. Net Promoter Score increased from 22% to 23%.	Continue to improve our Customer Experience, demonstrated by a further increase in Net Promoter Score.
	Implement key ethical and environmental control measures in our supply risk management programme.	✓	Key ethical and environmental control measures implemented through survey of top strategic suppliers.	Continued CSR assessment of our top strategic suppliers, and analysis of responses. Selection of one supplier with high level of compliance and one non-compliant supplier. Share best practices.
Our people	Conduct annual employee survey, demonstrate improved employee satisfaction around key issues from the previous survey.	✓	Conducted annual employee with highest response rate; positive feedback includes improvements reported by employees around key issues from previous survey.	Conduct annual survey with greater benchmark information available and greater granularity of analysis. Ensure the survey covers employee feedback about our CSR programme.
	Maintain alignment to 18001 and continue to drive system improvements across our portfolio.	✓	Alignment to 18001 maintained.	Maintain alignment to 18001 and continue to drive system improvements across our portfolio.
Community	Volunteer more towards our ultimate goal of delivering measurable social impact focused on "children and education" in our city-based communities; increase annual volunteering days by 100% by the end of 2018.	✓	99% annual increase in volunteering time reported to a record 8,200 hours; record funds of €157,074 raised.	Volunteer more towards our ultimate goal of delivering measurable social impact focused on "children and education" in our city-based communities; increase annual volunteering hours to 10,000 by 2015.

Colt Data Centre Services provides crucial Colocation services to support e-BO Enterprises expansion plans

e-BO Enterprises develops content distribution platforms and delivers infrastructure and security services across Europe using the cloud model. Headquartered in Belgium, they are a growing business in a growth market.

To help manage its growth, e-BO Enterprises required migration of its in-house equipment to a secure and reliable facility. e-BO needed additional colocation capacity to support its objectives of securing agreements to provide platforms for the secure distribution of content for various large public sector projects across Belgium such as prison networks.

Reliable colocation capacity would ensure e-BO Enterprises had the necessary data security credentials to meet the evolving demands of public sector and government customers. Colt's energy efficient, ISO certified and 32MVA facility in Roosendaal ticked all the boxes.

With Colt on board, e-BO Enterprises now has secure colocation capacity to support its customer propositions. e-BO also aims to increase rack capacity as part of expansion plans aligned with its continued growth in Europe.

Joren Lemiegre, Head of Marketing & Product Management for E-BO Enterprises, stated that:

"With a strong nine year relationship to build on, Colt provided more than just colocation, they really supported our needs with their network and IT services expertise, truly setting them apart from other providers."

Board of Directors

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01 Olivier Baujard

Non-Executive Director, 58, was appointed to the Board on 24 April 2014. Olivier was previously Chief Technology Officer at Deutsche Telekom AG, one of the world's leading integrated telecommunications companies. During his career, he has held a combination of technical, strategy and general management roles across leading telecoms and IT services groups in Europe.

02 Rakesh Bhasin

Chief Executive Officer, 52, was appointed to the Board on 13 December 2006. Rakesh was previously President and Chief Executive of KVH Co. Ltd, formerly a Fidelity owned Asia-focused telecom and data centre services provider based in Tokyo and acquired by Colt in December 2014. Rakesh previously held senior positions at AT&T and Japan Telecom Company Limited.

03 Hugo Eales

Executive Director, 48, was appointed to the Board and became CFO on 1 November 2014. Hugo has held senior leadership roles in telecommunications and IT Services companies undergoing financial and operational transformation. Previous roles include Global Chief Financial Officer for BT Global Services.

04 Sergio Giacoletto

Senior Independent Director, 65, was appointed to the Board on 22 July 2009. Sergio was Executive Vice President of Oracle Corporation, Europe, Middle East and Africa until 2008. Prior to joining Oracle he was President, Value Added Services at AT&T having previously spent 20 years with Digital Equipment Corporation in various senior roles. He is currently Chairman of Oberthur Technologies Holdings SA and a Non-Executive Director of Temenos AG and an Operating Partner with Advent International.

05 Simon Haslam

Chairman, 57, was appointed to the Board on 16 January 2007. Simon was appointed as Colt Chairman on 1 January 2014. Simon is Chairman of the Moonray Investors division of FIL Limited. He is a Director of FIL Limited and of various of its subsidiaries. He is a Fellow of the Institute of Chartered Accountants and was previously an audit and consulting partner with Deloitte, and a Non-Executive Director of Euroclear plc.

06 Tim Hilton

Non-Executive Director, 62, was appointed to the Board on 26 May 1999 and as Chairman on 16 January 2007. Tim stepped down as Chairman on 31 December 2013 and retired from the Board on 31 December 2014. Tim is Chairman of DI International, a private equity affiliate of Fidelity Investments. Before joining Fidelity Investments in 1996, Tim was a partner of the US corporate law firm Sullivan & Worcester LLP.

07 Katherine Innes Ker

Non-Executive Director, 54, was appointed to the Board on 1 September 2013. She is currently Senior Independent Director at Go-Ahead Group plc and Tribal Group plc and is Chair of the Remuneration Committee at each company. She is also a Member of Management Board of the University of Oxford Institute for Human Rights. Previously Katherine was on the Boards of S&U Plc, ITV Digital and Fibernet Group. Prior to her NED portfolio career, Katherine was a senior city analyst.

08 Anthony Rabin

Non-Executive Director, 59, was appointed to the Board on 20 July 2011 and is Chairman of its Audit Committee. He was an Executive Director of Balfour Beatty plc for ten years, six as Chief Financial Officer and four as Deputy Chief Executive. He is currently a Non-Executive Director of Kelda Group Ltd (formerly Kelda Group plc). Anthony is also a Fellow of the Institute of Chartered Accountants in England and Wales.

09 Lorraine Trainer

Non-Executive Director, 62, was appointed to the Board on 1 December 2013. She is currently a Non-Executive Director at Essentra plc and Jupiter Fund Management plc, where she is also Chairman of the Remuneration Committee and a member of their Audit and Nomination Committees. She also served on the Board of Aegis Group plc. Lorraine began her executive career at Citibank. She currently combines her Board work with consultancy in senior Director development.

10 Michael Wilens

Non-Executive Director, 61, was appointed to the Board on 1 January 2012. Michael has served as President of both FMR's Asset Management division and FMR's Enterprise Technology and Operations division. He was previously CEO of Thomson Reuters North American Legal division (Westlaw) and CTO at Thomson Reuters. He also served as CEO of Legion, a division of Group Lagardere and was CEO/co-founder of several software and information company start-ups.

11 Caroline Griffin Pain

Company Secretary, 50, was appointed as Company Secretary to the Board in April 2005. She is also Chairman of Colt's Corporate Compliance Committee. Caroline joined Colt from a Reuters joint venture, Radianz, where she was Company Secretary, having previously held senior management positions at Antfactory and Rea Brothers Group plc where she was General Counsel.

Notes

Andreas Barth

Non-Executive Director, 70, was appointed to the Board on 1 September 2003 and retired at the 2014 AGM on 24 April 2014. Andreas was formerly a member of the Supervisory Board of TDS Informationstechnologie. He was previously Senior Vice President of Compaq Computer Corporation and has also held senior management roles at Thomson – CSF, Texas Instruments and Ford.

Vincenzo Damiani

Non-Executive Director, 75, was appointed to the Board on 23 July 2002 and retired at the 2014 AGM on 24 April 2014. Vincenzo is President of VIDA Consulting Srl., Partner of Multipartner SpA and Non-Executive Director of Mediatica SpA. He is a former Non-Executive Director of Banca di Roma and was previously Corporate Vice President of EDS Corporation, President of Digital Equipment Europe and General Manager of IBM Europe.

Mark Ferrari

Executive Director until 31 October 2014, 57, was appointed to the Board on 1 January 2009 as a Non-Executive Director and became CFO on 31 March 2011. He stepped down as CFO and Executive Director on 31 October 2014. He previously held various roles at Devonshire Investors (a Fidelity related company) and served as Chairman of FIML Natural Resources and Backyard Farms Holding LLC. Prior to this, Mark was Vice President of Finance at Kronos Inc and began his career at Ernst & Young.

Gene Gabbard

Non-Executive Director, 74, was appointed to the Board on 6 January 2005 and retired at the 2014 AGM on 24 April 2014. Gene was previously Executive Vice President and Chief Financial Officer of MCI Communications Corporation (now Verizon), founder, Chairman and CEO of Telecom USA and President of M/A-Com DCC. He also served as advisor to the Walt Disney Company, Telecom Italia and Nippon Electric Company. Gene is a member of the boards of NetCracker Technology Corporation and Tower Cloud Inc.

Jennifer Uhrig

Non-Executive Director, 53, was appointed to the Board on 1 January 2015. Jennifer was a senior portfolio manager at Fidelity Investments where she began her career as the Telecommunications analyst in the Equity Group in 1987. Since retiring from money management in 2009, she has served in an advisory role at FMR and now sits on the boards of Geode Capital Management and Forum Pharmaceuticals, two Fidelity affiliates. Prior to joining Fidelity, Jennifer was a research associate for Fred Alger Management, in New York.

Report of the Board of Directors

The Directors submit their report and the audited consolidated financial statements of Colt Group S.A. for the year ended 31 December 2014. For the purposes of this report, "Company" means Colt Group S.A. and "Group" or "Colt" means the Company and its subsidiary undertakings.

Principal activity

Colt Group S.A. ("The Company") is the holding company for the Group and is domiciled in Luxembourg. The principal activity of the Group is the provision of business communications and IT services within Europe. The Company has a premium listing on the London Stock Exchange.

Business review

This Report of the Board of Directors, together with the Strategic Report, sets out an overview of the development and performance of the business, a description of the principal risks and uncertainties facing Colt and an indication of likely future developments. The strategy and business model (see pages 1 and 4), financial review including key performance indicators (pages 16 to 22), and reviews for each Line of Business (Network Services page 24, Voice Services page 25, Data Centre Services page 26 and IT Services page 27) are incorporated by cross reference within this Report of the Board of Directors.

Group strategy, organisation, development and business model

Our overall Group strategy is focused on serving the needs of information intensive enterprise customers in key global information hubs through our information delivery platform, bringing together capability in networks, voice, data centres and IT solutions. Our plan is to grow our business by helping our customers succeed, by providing comprehensive integrated networking and computing services that are managed seamlessly and transparently across all our markets. We are focusing our resources on the key growth opportunities and information intensive industries and geographies that are both relevant to our customers and drive optimal utilisation of our assets by leveraging our existing infrastructure, as illustrated by our recent expansion in the Asia Pacific region through the acquisition of KVH. We continue to strive to simplify how we buy, sell and conduct our business, including appropriate automation of our service and delivery model.

Corporate Social Responsibility

Our CSR activity focused on people, customers and suppliers, environment and community and can be found on pages 39 to 42.

Culture

Colt's culture is focused around four key values, combined with a behavioural framework, which provide all our stakeholders with clarity about what they can expect from Colt. These values are integral to everything Colt does: they drive our employees' performance, our reward and recognition programmes and all other initiatives. Our values are:

- Customer: We aim to deliver an exceptional customer experience every time
- Ownership: We take ownership and personal responsibility for our actions and our Company's commitments
- Leadership: We aim to demonstrate leadership, always striving to be the best at whatever we do
- Teamwork: We put teamwork at the heart of our business, working with others to achieve success

Share capital

Details of the changes in the number of the Company's ordinary shares in issue are set out in the Statement of Changes in Shareholders' Equity on page 90. The Directors have authority to allot ordinary shares in the Company and to disapply pre-emption rights, as permitted under the Company's Articles of Association. The Directors intend to comply with the Investment Association's and the National Association of Pension Fund's guidelines with respect to the allotment and pre-emption limits with regard to the issue of ordinary shares in the Company.

The 2015 AGM notice will also contain a resolution asking shareholders to grant the Company authority to purchase its own shares. This resolution is requested at each AGM. No shares have been purchased and no contract has been entered into under any such authority in the past.

Shareholders

Details of the trust set up for facilitating the holding of shares in the Company by employees and the Executive Directors, including the number of the Company's ordinary shares held, are given in note 16 of the Financial Statements on page 110.

As at 25 February 2015, the following shareholders have notified the Company of their interest in 3% or more of the Company's issued ordinary shares:

Shareholder	Number of ordinary shares	% Share Capital
FMR LLC	412,349,317	46.06
FIL Limited[1]	147,420,761	16.47
Southeastern Asset Management Inc[2]	42,372,066	4.73
Ruffer LLP[3]	31,943,629	3.57

[1] FIL Limited's interest in ordinary shares is held through a nominee account in respect of its own holding of 147,184,268 ordinary shares and the FIL Foundation's holding of 236,493 ordinary shares over which FIL retains the voting rights through a voting trust.

[2] Southeastern Asset Management Inc is an employee-owned global investment management firm whose registered office is at 6410 Poplar Avenue, Suite 900, Memphis, TN 38119, US.

[3] Ruffer LLP is an English LLP whose registered office is at 80 Victoria Street, London SW1E 5JL, UK.

Fidelity Relationship Agreement

The Company has had a Relationship Agreement (the "Agreement") with its major Fidelity related shareholders since 2006. That Agreement was amended and replaced with an agreement between FMR LLC, InfoTech Fund I LLC and FIL Limited ('Fidelity') on 30 July 2014 to comply with the new Listing Rules requirement for premium listed companies with a "controlling shareholder". The Agreement was further revised on 16 December 2014 as a result of the acquisition of KVH. The agreement contains, among other terms, undertakings relating to the following (the "Independence Provisions"):

- All transactions and arrangements between (i) any member of the Group and (ii) the controlling shareholders and/or any of their associates will be conducted at arm's length and on normal commercial terms;
- Neither the controlling shareholders nor any of their associates will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; and
- Neither the controlling shareholders nor any of their associates will propose or procure the proposal of a resolution at a general meeting of the Company which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

The Board confirmed that, between 30 July 2014 (the date the Agreement was entered into) and 31 December 2014:

- The Company has complied with the Independence Provisions; and
- As far as the Company is aware, the controlling shareholders and their associates have complied with the Independence Provisions.

For the purpose of this section of the Annual Report, the terms "controlling shareholder(s)" and "associate(s)" have the same meanings as in the UK Listing Rules.

The Agreement further provides that Fidelity will vote at the AGM to ensure that more than half of the Directors of the Company will be non-Fidelity related Directors, that Fidelity will not compete with the Group on electronic communication services, telecommunication network services, managed data service facilities and managed IT services in Europe, Japan, Singapore, Korea and China (including Hong Kong) without the consent of the non-Fidelity related Directors. Additionally, the Relationship Agreement provides that Fidelity will not acquire ordinary shares of the Company if that would result in the Company ceasing to comply with the UKLA's requirement for an adequate free float to be maintained. The Agreement continues in force while Fidelity or its associates hold at least 30% of the issued ordinary shares of the Company. The current Fidelity related Directors under the Agreement are Rakesh Bhasin, Simon Haslam, Jennifer Uhrig (as from 1 January 2015) and Michael Wilens. Details of transactions with Fidelity and its affiliates in 2014 are given in note 27 of the Financial Statements on page 127.

Investor relations

The Group has a policy of maintaining an active dialogue with institutional shareholders through individual meetings with senior management and participation in conference calls. The views of shareholders expressed during these meetings and calls are reported to the Board. Board members also receive regular updates in their Board papers about investor relations and reports from investment analysts.

The Company produces an electronic report for shareholders and other interested parties, which provides information on its performance during the year. Together with the annual and the half-yearly financial results announcements, and interim management statements, these form the principal means of communication with shareholders. The Group uses its website, www.colt.net, to communicate a wide range of information about the Group.

Investor meetings take place throughout the year. In 2014, the Chairman, the CEO, the CFO, the EVPs of DCS and IT Services and the Vice President, Investor Relations met a number of different fund managers and industry and investment analysts.

Colt also maintains dialogue with shareholder representative groups. During 2014, the Company Secretary engaged with IMA (formerly ABI), RREV, the Local Authority Pension Fund Forum, HSBC and PIRC. The discussions focused on NED independence, Board composition and appointment process, majority shareholder process, auditor rotation, new remuneration policies and long-term incentive plan awards.

Meetings were also held with the credit rating agencies, Standard & Poor's and Moody's (see page 35). Such briefings, together with regular announcements of significant events affecting the Group, are part of the Investor Relations programme undertaken to keep the Company's investors and potential investors informed of developments at Colt. The Board regards this programme as an important contribution to continually seek to improve investors' awareness of the business and for the Board to maintain an understanding of investors' priorities.

The Board recognises that one of the main opportunities for individual shareholders to question the Board is at the Annual General Meeting and for this reason it is the practice that each of the Directors attends the meeting whenever possible. The Chairman of the Board, the Chairmen of each of the Committees and all the other Directors and the Company Secretary attended the 2014 AGM/EGM. Voting records are set out in detail on our website. Any shareholder is free to contact the Group's Vice President, Investor Relations or Senior Independent Director at any time.

Directors

The Directors of the Company and those who served during the year are listed with their biographical details on pages 44 and 45. Andreas Barth, Vincenzo Damiani and Gene Gabbard retired from the Board on 24 April 2014 and Olivier Baujard was appointed new Independent Non-Executive Director with effect from the same date. Hugo Eales replaced Mark Ferrari as Executive Director on 1 November 2014. Jennifer Uhrig was appointed on 1 January 2015 to fill the vacancy left by Tim Hilton as Non-Executive Director, who resigned from the Board

Report of the Board of Directors

CONTINUED

on 31 December 2014. Hugo Eales and Jennifer Uhrig will be formally proposed for appointment to the Board at the AGM to be held on 30 April 2015.

Board diversity is explained in detail on page 41.

In accordance with the Company's Articles of Association, all the Directors will retire at the AGM. All the retiring Directors, being eligible, will stand for re-election, or election as the case may be, as Directors.

Directors' interests

The interests of the Directors in the Company's ordinary shares at 1 January 2014 or if later, their date of appointment, and at 31 December 2014 or if earlier, their date of resignation, were:

Director	Number of ordinary shares 1 Jan 14	31 Dec 14
Andreas Barth[1]	78,593	78,593
Olivier Baujard[2]	–	7,000
Rakesh Bhasin	1,187,601	1,524,594
Vincenzo Damiani[1]	76,929	–
Hugo Eales[3]	–	–
Mark Ferrari[3]	101,566	232,015
Gene Gabbard[1]	15,580	15,580
Sergio Giacoletto	–	50,000
Simon Haslam	–	–
Tim Hilton	69,708	69,708
Katherine Innes Ker	–	–
Anthony Rabin	10,000	10,000
Lorraine Trainer	–	–
Michael Wilens	–	–

[1] Andreas Barth, Vincenzo Damiani and Gene Gabbard retired from the Board on 24 April 2014.

[2] Olivier Baujard was appointed to the Board on 24 April 2014.

[3] Hugo Eales replaced Mark Ferrari as Executive Director with effect from 1 November 2014.

There was no change in these interests between 31 December 2014 and 25 February 2015.

Shareholding Guidelines for Executive Directors

Under the guidelines, the CEO is required to build a shareholding equivalent to at least four times one year's basic salary and the multiple applicable to the CFO is three times one year's basic salary. The guidelines aim to align Executive Directors' interests with those of the shareholders. The relevant shareholding is to be built up by retaining at least half of the shares vesting through long-term incentive plans, net of tax and expenses.

EXECUTIVE DIRECTORS SHAREHOLDING CHART AS AT 31 DECEMBER 2014

● Total Shareholding Guidelines
● Shareholdings achieved as at 31 December 2014

* Hugo Eales joined Colt as CFO on 1 November 2014

In addition to the guidelines applying to all Executive Directors, the Company has introduced in 2014 a shareholding policy for senior executive management. Under this policy, senior executives must build a shareholding equivalent to 100% of their annual base salary by retaining at least half of their vested long-term incentive plan awards, net of tax and expenses.

Indemnities and insurance

The Company has entered into indemnities with each of the Directors. Notwithstanding the fact that the Company is not a UK incorporated company, the indemnities are in the form of Qualifying Third Party Indemnity Provisions consistent with s.234 of the UK Companies Act 2006. The indemnities were in force during the financial year and at the date of approval of these financial statements and are available for inspection at the registered office of the Company.

It is the responsibility of the Company Secretary to ensure appropriate insurance cover is maintained in respect of legal action against the Directors. The level of cover is currently €35m. Neither the indemnities nor the insurance provide cover where the Director has acted fraudulently or dishonestly.

In addition, all the Directors have access to the advice and services of the Company Secretary and can take independent professional advice at the Company's expense in the furtherance of their duties.

Independent Auditor

PricewaterhouseCoopers Société coopérative is the independent auditor of the Company. Its reappointment as the Company's auditor, together with authority for the Directors to fix the auditor's remuneration, will be proposed at the 2015 AGM.

Article 11 report

The following disclosures are made in compliance with Article 11 of the Luxembourg Law on Takeovers of 19 May 2006.

a) Share capital structure

Colt Group S.A. has issued one class of shares which is admitted to trading on the London Stock Exchange. No other shares have been issued by Colt Group S.A. The issued share capital of Colt Group S.A. as of 31 December 2014 amounts to €447,587,161.50 represented by 895,174,323 shares. Colt Group S.A. has a total authorised share capital of €1,250,000,000. All shares issued by Colt Group S.A. have equal rights as set forth in the Articles of Association (the Articles).

b) Transfer restrictions

As at the date of this report, all the Colt Group S.A. shares are freely transferable but shall be subject to the restrictions on shareholdings set forth in Article 8 of the Articles.

c) Major shareholdings

The details of shareholders holding more than 3% of the issued share capital of Colt Group S.A. as notified to Colt Group S.A. are on page 46.

d) Special control rights

All the issued and outstanding shares of Colt Group S.A. have equal voting rights and there are no special control rights attaching to shares of Colt Group S.A.

e) Control system in employee share scheme

Colt Group S.A. is not aware of any issues regarding section e) of Article 11 of the Luxembourg Law on Takeovers of 19 May 2006.

f) Voting rights

Each share issued and outstanding in Colt Group S.A. represents one vote. The Articles do not provide for any voting restrictions other than in Article 8. In accordance with the Articles, a record date for the admission to a general meeting may be set and certificates for the shareholdings and proxies shall be received by the Company a certain time before the date of the relevant meeting. In accordance with the Articles, the Board of Directors may determine such other conditions that must be fulfilled by shareholders for them to take part in any meeting of shareholders in person or by proxy. Additional provisions may apply under Luxembourg law. Luxembourg legislation requires shareholders to register their intention to vote at least 14 days before the date of the meeting. In accordance with Article 28 of the law on transparency obligations of securities issuers dated 11 January 2008 (the "Transparency Law"), as long as the notice of crossing of major holding in the Company required in accordance with the Transparency Law has not been notified to the Company in the manner prescribed, the exercise of voting rights relating to the shares exceeding the fraction that should have been notified is suspended. The suspension of the exercise of voting rights is lifted the moment the shareholder makes the notification provided for in the Transparency Law.

g) Shareholders' agreements with transfer restrictions

Colt Group S.A. has no information about any agreements between shareholders which may result in restrictions on the transfer of securities or voting rights.

h) Appointment of Board members, amendment of Articles of Association

The appointment and replacement of Board members and the amendment of the Articles are governed by Luxembourg Law and the Articles (in particular Chapters 3 and 4). The Articles are published under the Investors section on www.colt.net.

i) Powers of the Board of Directors

The Board of Directors is vested with the broadest powers to manage the business of the Company and to authorise and perform all acts of disposal and administration falling within the purposes of the Company.

In common with the Articles of Association of other Luxembourg public limited companies, the Company's Articles of Association provide full power to the Board to issue shares on a non pre-emptive basis. However, the Board has confirmed that, as a matter of policy, it intends to comply with the pre-emption guidelines supported by the Investment Association and the National Association of Pension Funds to the extent practical for a Luxembourg company. Furthermore, under the current authorisation given by the shareholders, the Board may purchase, acquire or receive Colt Group S.A.'s own shares in the Company representing up to 10% of the issued share capital from time to time on behalf of Colt Group S.A., subject to prior authorisation by the general meeting of shareholders and on such terms as the Board may decide in accordance with the law. The Board intends to seek a new authorisation at the AGM to be held in 2015.

j) Significant agreements or essential business contracts

The Board of Directors is not aware of any significant agreements to which Colt Group S.A. is a party and which take effect, alter or terminate upon a change of control of the Company following a takeover bid. The Board of Directors has considered essential business contracts and concluded that there are none.

k) Agreements with Directors and employees

No agreements exist between Colt Group S.A. and its Board members or employees that provide for compensation if the Board members or the employees resign or are made redundant without valid reason, or if their employment ceases because of a takeover bid other than as disclosed in the Directors' Remuneration Report on page 71.

Corporate governance statement

"Colt continued to make progress in its commitment to effective succession planning, planned Board refresh and maintaining a balanced Board, including the right skills and diversity. During 2014 the Board appointed a new Independent Non-Executive Director and a new non-Independent Non-Executive Director as part of its planned refresh cycle. Colt also appointed a new Executive Director, our CFO, who is independent of the majority shareholders. Colt will continue to work to maintain and improve Board effectiveness and governance at Colt. The overriding priority is to maintain a world class Board to serve our shareholders."

Simon Haslam

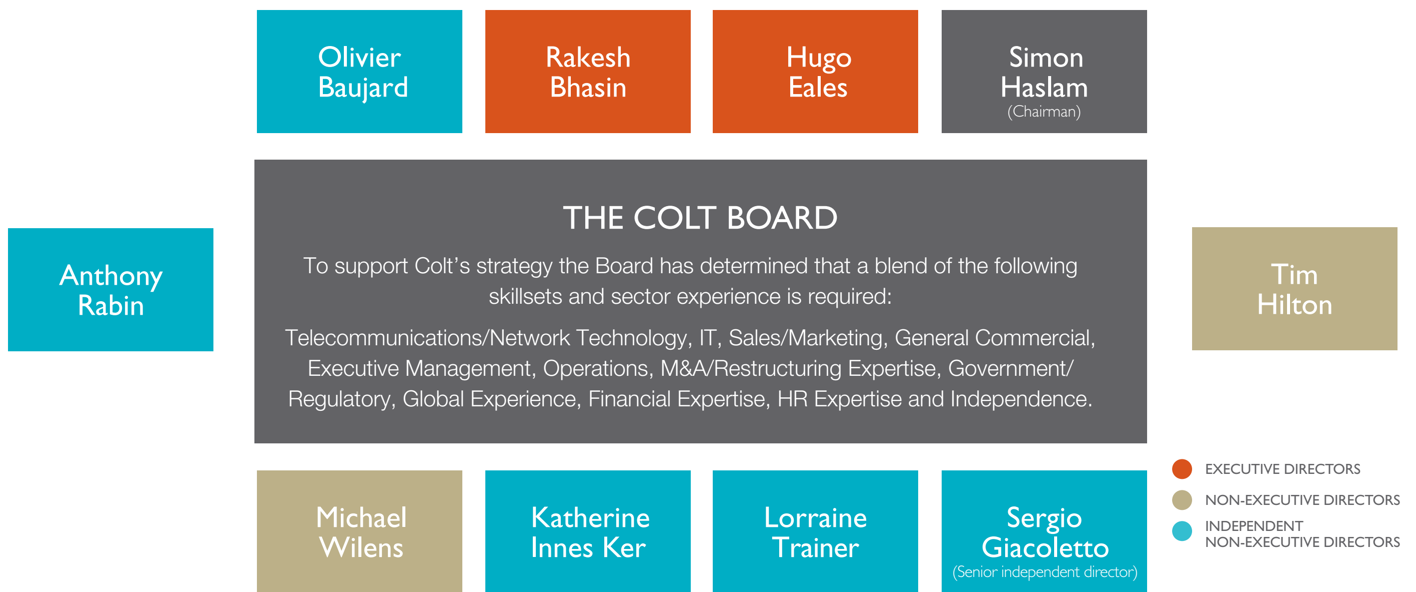
The UK Corporate Governance Code ("the Code") is published by the UK Financial Reporting Council and is available on their website www.frc.org.uk. As a company with a premium listing of shares on the London Stock Exchange, we are required to explain how we apply the main principles and how far we complied with the provisions set out in the Code. The Company complied with the provisions of Section A and C of the Code in all respects except for A.3.1 with regard to the appointment of Simon Haslam as Chairman as he did not meet the independence criteria for appointment. The Board decided that it remains appropriate to continue to have a Chairman who is employed by one of the Company's major shareholders and Simon Haslam, although not independent under the provisions of the Code, is independent of management and continues to exercise his judgement in the interests of all shareholders.

Three of our Independent Non-Executive Directors who had served on the Board for more than nine years, Andreas Barth, Vincenzo Damiani and Gene Gabbard stood down at the AGM in 2014. This was in accordance with the principle in Colt's Board Composition Guidelines that Independent Non-Executive Directors should not serve for more than nine years. All Directors serving for more than six years are subject to a rigorous annual review. The Board is satisfied that Sergio Giacoletto remains independent and makes an outstanding contribution to the Board.

All Directors are subject to annual re-election.

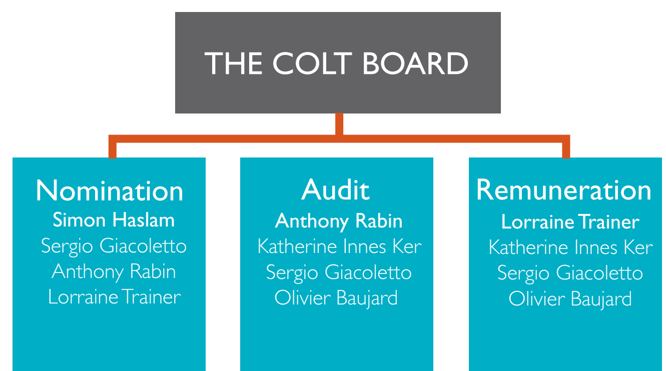
Olivier Baujard was appointed to the Board at the AGM in 2014. He was recruited by MWM, an independent firm specialising in NED recruitment. Colt retained Egon Zehnder and MWM, both independent firms with considerable experience in senior executive recruitment, in the search for Hugo Eales. Pursuant to Colt's ongoing programme of planned Non-Executive Director rotation and refresh, Tim Hilton retired as a Non-Executive Director on the Colt Board on 31 December 2014 and was replaced by Jennifer Uhrig on 1 January 2015. The process of recruitment for Jennifer Uhrig is set out on page 57.

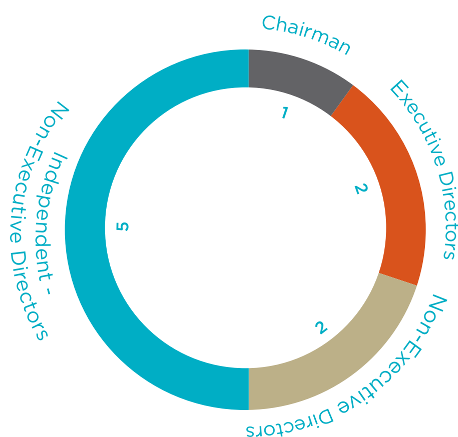
Board composition as at 31 December 2014



Division of responsibility

There is a clear division of responsibility between the Chairman and the Chief Executive Officer, with neither having unfettered powers of decision with respect to substantial matters. The Chairman is responsible for leading the Board and setting its agenda, including major decisions on strategic direction and financial transactions and for ensuring that the Board functions effectively. Simon Haslam's commitments other than to the Group are set out on page 45. They were disclosed to the Board prior to his appointment and have not changed during the year. The Chief Executive Officer is responsible for executing strategy and executive management, operation and development of the Group's business.





Corporate governance statement

CONTINUED

Board and Committee membership as of 31 December 2014

Name	Status	Audit	Remuneration	Nomination
Olivier Baujard*	Independent Non-Executive Director	Member	Member	
Rakesh Bhasin	CEO, Executive Director			
Hugo Eales	CFO, Executive Director			
Sergio Giacoletto	Senior Independent Director	Member	Member	Member
Simon Haslam	Chairman, Non-Executive Director			Chairman*
Tim Hilton	Non-Executive Director			
Katherine Innes Ker	Independent Non-Executive Director	Member	Member	
Anthony Rabin	Independent Non-Executive Director	Chairman		Member
Lorraine Trainer	Independent Non-Executive Director		Chairman*	Member
Michael Wilens	Non-Executive Director			

* As from 24 April 2014

Senior Independent Director

Sergio Giacoletto is the Senior Independent Director (SID).

The role of the SID is to act as an alternative conduit to the Board for the communication of shareholder concerns, to act as chairman of meetings of the Independent Non-Executive Directors which are not attended by the Chairman and to lead the annual performance evaluation of the Chairman.

The SID reports the discussions of any meetings with shareholder representatives to the Board. At the end of every Board meeting Executive Directors, management and Fidelity related Directors withdraw and the SID chairs a meeting of the Independent Non-Executive Directors to provide a forum for any issues to be raised.

In 2014 the SID chaired numerous meetings of the Independent Non-Executive Directors to discuss, negotiate and decide the acquisition of KVH, a related-party transaction. Together with the Chairman of the Audit Committee, the SID led negotiations on behalf of the Company with the owners of KVH in respect of the terms, purchase price and other aspects of the transaction.

Attendance

In the event that a Director is unable to attend all meetings of the Board or Board Committees of which they are members, the Director is invited to confirm that they remain committed to the role and have the requisite time available to perform the role.

In 2014 the Board held five scheduled meetings and numerous interim telephone meetings as required. There were 22 additional meetings including 17 Independent Directors' meetings to discuss, negotiate and decide the acquisition of KVH.

Operation of the Board

The attendance of each of the Directors at the scheduled Board meetings held in 2014 while a Director was:

Director	Meetings held	Meetings attended	Percentage attended
Andreas Barth*	2	2	100%
Olivier Baujard**	3	3	100%
Rakesh Bhasin	5	5	100%
Vincenzo Damiani*	2	2	100%
Hugo Eales**	1	1	100%
Mark Ferrari*	4	4	100%
Gene Gabbard*	2	2	100%
Sergio Giacoletto	5	5	100%
Simon Haslam	5	5	100%
Tim Hilton	5	5	100%
Katherine Innes Ker	5	4	80%
Anthony Rabin	5	5	100%
Lorraine Trainer	5	5	100%
Michael Wilens	5	5	100%
Average % attendance			99%

* Andreas Barth, Vincenzo Damiani and Gene Gabbard retired at the 2014 AGM on 24 April 2014. Mark Ferrari stepped down from the Colt Board as an Executive Director on 31 October 2014.

** Olivier Baujard and Hugo Eales were appointed to the Board on 24 April 2014 and 1 November 2014, respectively.

The Board is primarily responsible for decisions on Group strategy, including the approval of strategic plans, annual budgets, interim and full year financial statements and reports, accounting policies and all material capital projects, investments and disposals. There is a schedule of matters reserved for approval by the Board.

Each Director is provided with monthly reports which include financial information and updates on the business. When there is a Board meeting, this information is circulated to the Directors in advance of the meeting, together with details of all other business items to be considered at the meeting. Directors receive regular articles on industry news and analysts' and press reports on Colt. The Directors are encouraged to supplement this information through direct contact with the Group's senior management and the Company Secretary facilitates regular informal meetings throughout the year. Direct access to senior management is encouraged. Other members of the senior management team regularly attend Board and Committee meetings. The Non-Executive Directors have the opportunity to discuss Colt strategy and Board business individually with the Chairman and the CEO regularly throughout the year as well as during the annual Board training day.

Calendar of activities for the Board

Board meetings are held in Luxembourg or elsewhere by exception. The Articles prohibit any decisions being made in the UK. The annual programme, which is set three years in advance, involves four meetings timed to review the quarterly results and another timed to approve the budget for the following financial year. Meetings are held over a two or three day period, to include site visits, formal and informal meetings with local management and Committee meetings. Occasional single purpose interim meetings are held by teleconference to deal with out of cycle requests.

Board meeting 2014 activities

The Board approved the 2013 financial statements and the 2013 Annual Report together with the 2014 Annual and Extraordinary General Meeting notice and received the results of those shareholder meetings.

During 2014, the Board focused on executing and developing Colt's growth strategy plan, including geographic expansion. The Board considered possible targets and the strategic fit and growth opportunities of KVH. The Board focused on acquisition related matters, including financing options, due diligence review and integration plans. The Board reviewed periodic reports on the business and monitored the progress of the business during the year. The Board considered how to improve performance against the business plan. In reviewing execution, the Board approved the realignment of Colt into four lines of business: Network Services, Voice Services, Data Centre Services and IT Services to simplify and focus the business. The Go to Market organisation and capability was reviewed. The Board also devoted time to succession planning, both at Board and management level. Candidates for new Board appointments were reviewed and the Board approved the appointments of Olivier Baujard and Jennifer Uhrig. A Board evaluation was conducted by an independent third party external provider. Other activities included a review of Colt's

Corporate governance statement

CONTINUED

property portfolio and key nodes as well as a review of the Colt-wide approach to programme and project governance, control and management. The Board visited Colt's operation in Paris and received presentations from the local management team.

The Board also approved each of the 2014 Q1 and Q3 Interim Management Statements and the H1 financial results and associated announcements. The 2015 budget was approved.

At each meeting the Board received reports from each Chairman of the Audit Committee, Remuneration Committee and Nomination Committee on the business conducted by those Committees.

Induction, information and ongoing development

Induction is tailored to each individual Director's requirements depending on their background and role. On appointment, Directors receive a comprehensive induction process in accordance with ICSA best practice and Section B of the UK Code of Corporate Governance. This is designed to develop their knowledge and understanding of the Group's business through visits to various key sites including data centres and offices, presentations on relevant technology, products and services, one-to-one meetings with Executive Directors and senior management and a familiarisation with investor and analysts' perceptions of the Group. As appropriate, meetings are arranged with representatives of significant shareholders and key advisors including lawyers, brokers and auditors. Slaughter and May provided a tailored seminar on UKLA rules for Olivier Baujard as part of his induction.

A Director's Manual is available for new Directors. The manual contains information on the Company, the Directors' duties and liabilities under Luxembourg law and key policies and documents. New Directors are offered tutorials on Colt's corporate governance framework, organisation, corporate structure, operations, insurance, Code of Business Conduct, share dealing and other corporate policies and procedures, together with recent Board materials and presentations as appropriate.

The Directors' knowledge and understanding of the Group's business is refreshed throughout the year, with briefings as necessary on corporate governance and regulatory compliance. The training needs of the Directors are periodically reviewed and a Board training day is organised annually. Presentations by key members of the relevant teams are supplemented by reading materials. Ad hoc informal training on issues relevant to Colt, such as new technologies and network development, is regularly provided by management upon request during the year. Additionally, as part of ongoing training and development, Directors receive periodic summaries of Colt specific and industry news.

Evaluation

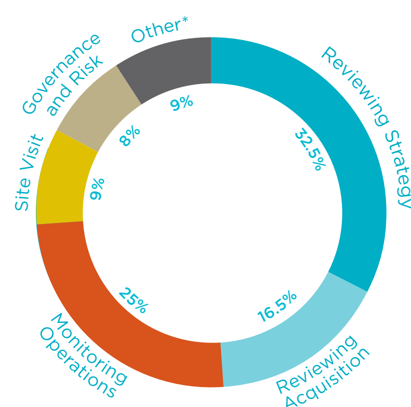
The 2014 Board evaluation was performed externally by an independent third party consultant, EquityCommunications Ltd. EquityCommunications provides no other services to Colt. The 2014 report was the second externally facilitated review that the Company has commissioned. It is intended that Colt will use external consultants to conduct the evaluation every three years, in compliance with the Code.

The review process took the form of confidential questionnaires specifically tailored to the needs of the Colt Board. Directors were asked to complete the questionnaire by indicating their level of agreement with questions or statements, and were encouraged to provide additional comments, as they felt appropriate. The questionnaires focused on areas for development recommended from the previous year's evaluation and centred on Board composition, Board structure and diversity, decision making, competitor landscape, project management and customer contact, strategy, risk and risk management, succession planning and performance as well as Board Committees. Answers to the questionnaires were collated by EquityCommunications, findings from the evaluation were considered by the Board and a follow-up action plan was agreed.

In summary, the conclusion was that each Director continued to devote appropriate time to the role and that the Board, the Committees and each of the Chairmen are performing effectively, with the right skill sets and a culture which enables openness and high quality debate.

To supplement the evaluation process, it is the Board's practice for the Chairman to provide feedback to the CEO and for the Senior Independent Director to provide feedback to the Chairman at the end of each meeting. Additionally the Company Secretary collates regular feedback from each Director as part of the process.

HOW THE BOARD SPENT ITS TIME IN 2014



* Other including Board evalution and training

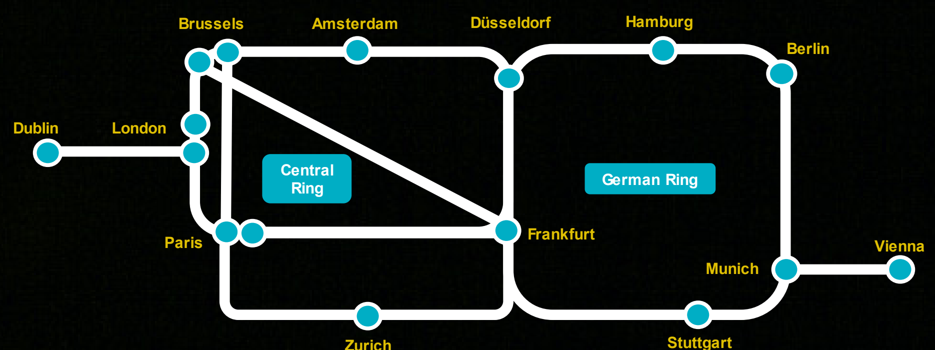
The acquisition of KVH required 22 additional meetings including 17 Independent Directors' meetings and an additional site visit in Japan.

Improved capability and customer service through network development

Following on from our innovative Multi-Service Platform (MSP) network development in 2013, this year we developed a high capacity long distance network (LDN) known as the **European Supercore**. This is based on the latest DTN-X optical technology from Infinera and is optimised for the latest generation of high bandwidth services such as 100Gbps Ethernet.

The European Supercore network supports National and International services between the key European cities of London, Paris, Amsterdam, Brussels, Frankfurt, Dusseldorf, Hamburg, Berlin, Munich, Stuttgart, Zurich, Vienna and Dublin. We can also extend the new network to additional cities when additional capacity is required in the future.

The Supercore infrastructure has a number of resilience features built in to the design and high bandwidths can be configured simply, ensuring high levels of service availability. Our customers benefit from increased speed, resilience, reliability and faster delivery lead times, whilst Colt will benefit from improved efficiency and lower unit costs.



Nomination Committee

"2014 saw a number of changes to the Colt Board as part of our ongoing programme of planned rotation and refresh. I am pleased to report further progress in our succession planning process with the appointment of a new Executive Director and an experienced Non-Executive Director. Our commitment to establish and maintain a world class, effective Board, remains a priority for Colt."

Simon Haslam
Chairman of the Nomination Committee

Nomination Committee 2014 activities

Simon Haslam succeeded Tim Hilton as the Chairman of the Nomination Committee on 24 April 2014. The other members are Sergio Giacoletto, Anthony Rabin and Lorraine Trainer. The Nomination Committee met four times in 2014. The attendance of each of the Directors at the meetings held in 2014 while a Nomination Committee member was:

Director	Meetings held	Meetings attended	Percentage attended
Andreas Barth*	2	2	100%
Vincenzo Damiani*	2	2	100%
Simon Haslam†	2	2	100%
Sergio Giacoletto†	2	2	100%
Tim Hilton*	2	2	100%
Lorraine Trainer†	2	2	100%
Anthony Rabin	4	4	100%
Average % attendance			100%

* Andreas Barth and Vincenzo Damiani retired from the Board at the 2014 AGM on 24 April 2014. Tim Hilton stepped down from the Nomination Committee on 24 April 2014.

† On 24 April 2014 Sergio Giacoletto, Simon Haslam and Lorraine Trainer were appointed as members of the Nomination Committee and Simon Haslam succeeded Tim Hilton as Chairman of the Nomination Committee.

The duties of the Nomination Committee are to recommend to the Board a succession planning strategy, to select and recommend a preferred candidate for appointment to the Board or to a specific role on the Board or Board Committee and to review the time commitment of Non-Executive Directors and recommend to the Board their continuation in office.

The Terms of Reference of the Nomination Committee are set out on Colt's website at www.colt.net. They were last reviewed in April 2014. During 2014, the Committee approved the selection process for a new Executive Director (the CFO), reviewed shortlisted candidates and recommended candidates for appointment by the Board. The Committee also approved the appointment of a new non-Independent Non-Executive Director. Other activities of the Committee during 2014 included considering and recommending development for executive management to support succession planning, reviewing the Board skills and competencies and Directors' attendance, the Board refresh plan as well as diversity (including but not limited to gender diversity).

The Nomination Committee maintains a matrix of skills and competencies for the Board and periodically reviews this against Colt's strategic objectives.

Appointment process

As part of the Board's ongoing refresh programme and to maintain a balanced team of Independent Non-Executive Directors, Olivier Baujard was appointed to the Board at the 2014 Annual General Meeting. The Nomination Committee prepared a role profile for a new Independent Non-Executive Director. Details were set out in the 2013 Annual Report. A shortlist of candidates was prepared and the candidates were interviewed by the Nomination Committee. The recommended candidate then met each member of the Board and the Board unanimously recommended to the shareholders the appointment of Olivier Baujard. The search was conducted by MWM, an independent firm specialising in Non-Executive recruitment. MWM has no other relationship with Colt.

During 2014 the Board also considered the appointment of a new Chief Financial Officer. The Nomination Committee approved a role profile. An external search was conducted by MWM and Egon Zehnder. A list of candidates was screened by the headhunters and the shortlisted candidates were interviewed by the CEO, the Chairman and Non-Executive Directors, the EVP HR and the Company Secretary, pursuant to which Hugo Eales was selected and appointed to the Board on 1 November 2014. The Board is satisfied that Hugo Eales' extensive financial, commercial and operational experience with complex global organisations and IT services companies as well as his broad international experience meets the role profile requirements well.

In respect of Jennifer Uhrig, who was appointed to the Board on 1 January 2015 as Non-Executive Director, FMR put forward the candidate for review. The Nomination Committee set out the appointment process. The Nomination Committee reviewed Mrs Uhrig's experience against their matrix of skills and competencies. The Nomination Committee noted that her experience was highly relevant to support Colt's strategic objectives. Each of the Independent Non-Executive Directors then interviewed the candidates and unanimously recommended the appointment of Jennifer Uhrig. The Nomination Committee then recommended the appointment to the Board. The Nomination Committee determined that Jennifer Uhrig was not considered as independent according to provision B.1.1 of the UK Corporate Governance Code.

Both Hugo Eales and Jennifer Uhrig will be proposed for election for the first time at the 2015 AGM.

Board composition guidelines

These non-binding guidelines address tenure, balance, continuous refreshment, succession planning and culture.

Tenure

There is a presumption of a maximum six-year term for Independent NEDs unless exceptionally waived by the Board for an additional period of up to three more years to maintain continuity.

Size and balance

Assume a Board of 11–12 members with a majority of Independent NEDs (excluding the Chairman) to comply with the Code and a majority of non-Fidelity related Directors. Executive members will be the CEO and CFO.

Succession planning

A timetable has been set for continuous refresh and replacement and supplemental skill sets identified. Appropriate plans are in place to maintain a suitable balance of skills on the Board and its Committees.

Culture

Colt will seek to maintain a balance of personalities and a range of attributes. The Nomination Committee will consider all aspects of diversity as part of its deliberations, including age, gender, ethnicity, nationality, geographic experience and business experience both within and outside Colt industries.

Diversity policy

The Guidelines acknowledge the importance of diversity (including age, gender, background, industry or sector, professional experience and nationality) as a desirable component of Board culture. At the present time it is not appropriate to set specific targets for female representation as Board appointments are based on a spectrum of factors, including experience, skills and diversity.

Simon Haslam
Non-Executive Chairman
25 February 2015

Audit Committee

“During 2014, the Audit Committee continued to review and monitor risk to ensure Colt had adequate processes in place to anticipate and respond to risk effectively. There was also increased focus on anti-bribery compliance and we continued to monitor the adherence to Colt’s Code of Business Conduct.”

Anthony Rabin
Chairman of the Audit Committee

Membership and attendance

Anthony Rabin is the Chairman of the Audit Committee. The other members of the Audit Committee during 2014 were Andreas Barth, Olivier Baujard, Gene Gabbard, Sergio Giacoletto and Katherine Innes Ker. Andreas Barth and Gene Gabbard retired at the 2014 AGM/EGM on 24 April 2014 and Olivier Baujard joined the Audit Committee as a member on the same date.

Anthony Rabin is the Audit Committee member identified as having recent and relevant financial experience. Mr Rabin is a Fellow of the Institute of Chartered Accountants of England and Wales and formerly was the CFO of Balfour Beatty plc.

The Chief Financial Officer, the Vice President, Group Risk and Assurance, the Director of Group Internal Audit and representatives from the external auditor (PwC) usually attend meetings of the Audit Committee.

The Committee met five times in 2014. The attendance of each of the Directors at the meetings held in 2014 while an Audit Committee member was:

Director	Meetings held	Meetings attended	Percentage attended
Andreas Barth*	2	2	100%
Olivier Baujard†	3	3	100%
Gene Gabbard*	2	2	100%
Sergio Giacoletto	5	5	100%
Katherine Innes Ker	5	3	60%
Anthony Rabin	5	5	100%
Average % attendance			93%

* Andreas Barth and Gene Gabbard retired from the Board at the 2014 AGM on 24 April 2014.

† Olivier Baujard became a member of the Audit Committee on 24 April 2014.

Operation of the Committee

To promote transparency, in accordance with best practice, it is the usual practice of the Committee for the Executive team to withdraw at the end of each meeting, to give an opportunity for the Vice President, Group Risk and Assurance and the Director of Group Internal Audit to meet with the Committee and the external auditor, to raise any concerns. Following this meeting, the Committee meets alone with the external auditor for a private session. At the end of the meeting, the Committee meets alone. After each meeting the Chairman of the Committee provides a summary report of the deliberations to the Board, identifying any matters on which the Committee considers that action or improvement is needed and making recommendations on steps to be taken. Additionally, all Board members receive a copy of the Audit Committee papers and are invited to raise any questions with the Chairman of the Audit Committee.

The Terms of Reference of the Audit Committee are set out on the www.colt.net website. They are reviewed annually and were last amended in December 2014.

Audit Committee 2014 activities

During 2014, the Committee recommended to the Board for approval the 2013 full year results, Q1 and Q3 2014 Interim Management Statements and H1 2014 financial results and associated announcements. The Committee advised the Board that the Annual Report including the financial statements taken as a whole is fair, balanced and understandable. In carrying out its financial reporting duties, the Audit Committee considered the work and recommendations of management. The Audit Committee also received reports from the external auditors setting out their view on the accounting treatments and judgements included in the financial statements, including material accounting issues. The Audit Committee considered significant issues in relation to the financial statements – see page 60 for details.

Other activities of the Committee included reviewing the Group Risk Map and Risk Universe, Health and Safety and the Group Internal Audit Charter. The Committee also focused on the reporting and monitoring of specified projects, such as a review of Financing Options in relation to the acquisition of KVH. A review of cyber risk and node risk was also undertaken. Other matters considered during the year included the latest developments in corporate governance and audit tendering, a bribery risk assessment and an Audit Committee evaluation. The Committee also reviewed the independence, fees and reappointment of the external auditor. The Committee also reviewed the implementation of new hospitality and gifts provisions applicable to all Colt staff.

Additionally there are the following standing items for the Audit Committee:

- reviewing periodic reports from both the internal and external auditors, including detailed reviews of follow-up on selected internal audits;
- reviewing the annual internal audit plan;
- receiving any reports relating to whistle-blowing or fraud; and
- approving Fidelity related services and external auditor non-audit related services.

Duties

The duties of the Committee are to review statements in the Annual Report on Colt's internal controls and risk management framework, to review the integrity of the financial statements, including significant financial reporting judgements and any formal announcements relating to the Company's performance. The Committee advise the Board on whether the Annual Report is fair, balanced and understandable. Other duties include the following: to review the effectiveness of internal controls, to review the procedures for managing risks, to monitor and review the effectiveness of the internal audit function, to consider the appointment and remuneration of the external auditor, to review procedures for handling allegations from whistle-blowers and to monitor and review Health and Safety policies and processes.

The Committee approves the annual external audit plan and reviews findings with the external auditor. The Committee assesses annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the audit process. The Committee's assessment is made with reference to a satisfaction survey of the external auditor, completed by members of senior management and the Committee. In particular, the Committee takes into consideration the robustness of the audit process, the quality of delivery and the quality of people and service.

Internal control and risk management

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness and for risk management. The Audit Committee conducts reviews of the risk management process and system of internal controls. To achieve this, the Audit Committee receives regular updates on key risks and control priorities, such as business controls, IT security, business continuity planning, corporate culture, anti-fraud and anti-bribery procedures.

The Audit Committee also reviews the results of all internal and external audits performed over systems of internal controls and tracks management's response to any identified control issues.

Internal control

The system of internal control is designed to manage, rather than eliminate, risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. This system of internal control is in line with the 2014 UK Corporate Governance Code.

Colt's systems of internal control ensure key risks are managed through:

- the management structure with delegated authority levels, segregation of duties, functional reporting lines and accountability;
- comprehensive budgeting, forecasting and financial reporting processes which compare actual performance to budget and forecast on a monthly basis;
- authorisation processes for capital expenditure, other purchases and expenses, and an investment assessment board;
- a number of controls including reconciliations, system-based controls and review controls over the consolidation of the Group's results;
- monitoring of financial and operational performance, and compliance controls on a continuing basis to identify and respond to business risks as they arise;
- defined operational processes and controls which ensure standardised ways of working and support the quality, security, resiliency and continuity of Colt's operations;
- "whistle-blowing" procedures allowing employees to contact the Corporate Compliance Committee in confidence;
- assessments of strategic, commercial, operational, financial, regulatory, fraud, anti-bribery and business continuity risks;
- periodic monitoring of risks by the senior management team, and the Audit Committee; and
- formal reporting to the Board on specific areas of financial and operational risk.

Audit Committee

CONTINUED

Colt has established an Enterprise Risk and Assurance function to bring the capabilities of Group Internal Audit, Enterprise Risk Management, Group Security, Business Continuity and Health and Safety under single leadership. This is to promote closer working and alignment across audit, risk and assurance activities to maximise business value and drive a robust, balanced approach towards governance and control improvements. Group Internal Audit and Enterprise Risk Management are described further below.

Group internal audit

Compliance with systems of internal control is subject to regular review by Group Internal Audit. On an annual basis, Group Internal Audit works with Enterprise Risk Management to develop a risk-based Internal Audit Plan which links to the Group-wide risk assessments, is aligned to Colt's strategic priorities and provides appropriate coverage across the Group. Group Internal Audit delivers a programme of independent end-to-end audit reviews. The objectives of these audits are to independently evaluate and provide assurance on governance across the Group, to review process effectiveness and to assess the design and effective operation of key manual and automated controls. Where control improvements are needed, action plans are agreed and monitored through to completion. Group Internal Audit embraces and complies with the standards of the International Institute of Internal Auditors.

Enterprise risk management

Colt has embedded risk management and reporting processes which enable the business to identify risks, assess them and mitigate them. The process is managed at an executive level by the senior management team and reported to the Board regularly.

The risk management process formalises management's activities in respect of the identification, prioritisation and ongoing assessment of risks. Changes in both the external and internal environments are reviewed on a periodic basis to ensure their impact on Colt's risk profile and exposure is understood and mitigated if necessary.

On an ongoing basis, risk management workshops, facilitated by the Enterprise Risk Management Team, are held. At the line of business and service unit level, bottom-up risk assessments are performed and risk mitigation strategies are discussed. The risk management process directly links to strategic objectives and enabling actions. Outputs are then taken to the Executive Committee for their evaluation and top-down assessment of risks across the Group. The Committee reviews the Group-level risks to ensure that risks which may prevent the achievement of strategic objectives and priorities are identified, understood and mitigated, and the overall risk management process remains aligned to Colt's business objectives and the operating environment. Accordingly, top Group risk priorities are defined and actions, ownership and implementation dates are agreed accordingly. The progress of mitigation activities is tracked by dedicated 'risk champions' in the business. Update reports on top risks and progress of mitigation are provided on an ongoing basis to the Audit Committee, which reviews the process for risk management on behalf of the Board.

Financial reporting

The primary role of the Committee in relation to financial reporting is to review, with both management and the external auditor, the appropriateness of half year and annual financial statements as well as the reporting for the first and third quarters. Areas of focus for the Committee in this process include quality and appropriateness of accounting policies; compliance with financial reporting standards and relevant financial and governance reporting requirements; material areas in which significant judgements have been applied; whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and any correspondence from the regulators in relation to Colt's financial reporting.

The Committee considers reports from the Group Chief Financial Officer and from the external auditor in performing their review of the above items. During 2014 the Committee considered the following significant judgemental items in relation to the financial statements (further critical accounting policies and judgements are described in Note 1 to the Consolidated Financial Statements):

Non-current asset impairment testing

The carrying values of property, plant and equipment and intangible assets are assessed for impairment when events indicate the carrying value may be impaired (in addition, goodwill is tested for impairment at each reporting date). Where impairment indicators are present, a discounted cash flow calculation is used to assess the asset carrying values. The judgements in relation to impairment largely relate to the assumptions underlying this future cash flow model including those in relation to revenue growth, margins, capital expenditure and discount rates. Significant assumptions have been disclosed in the notes to the audited financial statements (see pages 96 to 98). The Committee reviews reports from management detailing the basis for the assumptions used and related sensitivities. In addition, this is a key area of audit focus and accordingly the external auditor also provides detailed reporting to the Committee on this area. During the year, Colt recognised a €15m impairment expense in relation to IT Services.

Revenue recognition

Some of the Group's revenue contracts include judgements regarding the amount of revenue and related cost to recognise and the timing of this recognition. Where these judgements are significant, the Committee reviews management reports that set out the relevant accounting rules and application to the related contracts. There were no significant contracts in 2014 with unusual terms which would require disclosure.

Going concern

We assessed the Group's available cash, forecast cash flow requirements and overall liquidity based on quarterly reports from management. We are satisfied that the going concern basis of preparation continues to be appropriate in the context of the Group's funding position.

Additional areas underlying the financial statements where significant judgement may be applied include the following: trade receivables and provision for doubtful debts, useful lives and capitalisation policies relating to property, plant and equipment and intangible assets, recognition of deferred tax assets, provisions for legal and regulatory matters and amount and timing of the recognition of provisions for restructuring costs. The Audit Committee receives quarterly reports from management which reflect statement of financial position and income statement activity related to these areas on a quarterly basis, except for deferred tax assets which are reviewed half-yearly, to review underlying assumptions and positions for each reporting period. There were no significant changes in assumptions or positions during 2014 for these areas. In addition, the Committee reviewed and assessed a report from management regarding the accounting for the KVH acquisition.

Anti-bribery

During 2014 the Committee reviewed UK Bribery Act compliance. An annual risk assessment for Colt was performed by Group Internal Audit in light of international standards and the recommendations of the external auditor to determine areas for improvement. Our underlying risk assessment system was refreshed to bring it in line with industry guidance. The assessment concluded that proportionate procedures and controls were in place to prevent and/or detect bribery. The Code of Business Conduct ("Code of Conduct") was also reviewed to ensure compliance with the Act. Hospitality rules were reinforced. The Committee monitors compliance with completion of the online training programme. Supplemental training is provided for employees regarded as working within higher risk disciplines.

Health and Safety

During the year the Committee monitored and reviewed Colt's policy and performance relating to Health and Safety at work and how compliance with such policy is assured across the Group.

Whistle-blowing

Whistle-blower reports and other allegations relating to fraud are reported to the Audit Committee. Whistle-blowing arrangements are set out in the Code of Conduct, which is signed by each employee as part of their induction. Each employee also has to complete annually a compulsory online Code of Conduct training course, which reminds employees of the whistle-blowing process. Colt uses an independent third-party provider to supply a free, confidential 24-hour reporting facility to enable whistle-blowers to raise concerns by telephone. Also, whistle-blowers can email or write to the Corporate Compliance Committee which, in 2014, comprised the Company Secretary; Vice President, Tax and Treasury; Vice President, Compensation and Benefits; and the Vice President, Group Risk and Assurance.

External auditor

PricewaterhouseCoopers Société coopérative (Luxembourg) has been the Company's external auditor since 2006 when Colt listed on the London Stock Exchange. The Committee considers that the relationship with the auditor is working well and remains satisfied with its effectiveness. In Luxembourg, the external auditor is required to rotate the audit partner responsible for the Group audit every seven years and there has been full compliance with this practice. From 2012 onwards it is the intention to rotate the audit partner every five years. Gilles Vanderweyen succeeded Marc Minet as Luxembourg audit partner on 31 December 2012. In addition, Paul Barkus succeeded James Southgate as UK audit partner on 22 July 2013. There are no contractual obligations restricting the Company's choice of external auditor.

A key factor that may impair auditors' independence and objectivity is a lack of control over non-audit services provided by the external auditors. To guard against this, Colt maintains the Provision of Services by the External Auditor Policy, consistent with ethical standards published by the UK Auditing Practices Board. Under the terms of this policy the external auditor will not be approved to perform a service where:

- it participates in activities that are normally undertaken by management;
- it acts in an advocacy role for Colt; or
- it may be required to audit its own work.

To preserve the external auditor's independence and objectivity, the Provision of Services by the External Auditor Policy requires that any service provided by the external auditor must be approved by the Committee or within a category pre-approved by the Committee, and within the maximum charge set by the Committee. When considering potential non-audit services by the external auditor, the Committee also has regard to the overall proportion of audit and non-audit fees to ensure that the auditor's independence and objectivity is not impaired.

The Provision of Services by the External Auditor Policy includes a list of the types of prohibited services which include, but are not limited to, bookkeeping, internal audit outsourcing, certain tax assignments, HR services and legal services. The Policy is available on the website at www.colt.net. Colt also discloses a breakdown of non-audit fees charged by the external auditor in note 3 in the notes to the consolidated financial statements.

The comply-or-explain provision relating to audit tendering in the UK Corporate Governance Code has effectively now been superseded by the Competition and Markets Authority (CMA) final report and developments in Europe. European legislation requires mandatory rotation of audit firms every 10 years, extendable in certain circumstances to 20 years. PwC has been Colt's auditor since listing in 2006 (and was the auditor of our predecessor companies from 1992) and the EU transitional rules require an initial change of audit firms no later than 2020. The Committee will continue to consider annually whether to conduct an audit tender for audit quality or independence reasons.

Audit Committee

CONTINUED

The Audit Committee has completed its assessment of the external auditor for the financial year under review. The Audit Committee is satisfied as to PwC's qualification, expertise, resources, independence and the effectiveness of the audit process, in line with the Financial Reporting Council Guidance on Audit Committees issued in September 2012. Accordingly, it has recommended to the Board, for approval by shareholders, the reappointment of PricewaterhouseCoopers Société Coopérative as the Company's external auditor and approved its fees and terms of engagement.

Anthony Rabin

Chairman of the Audit Committee

Directors' responsibility report

Statement of Directors' responsibilities

The Directors confirm that, to the best of each person's knowledge:

a) the consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of Colt Group S.A. and the undertakings included in the consolidation taken as a whole;

b) the Directors' report includes a fair review of the development and performance of the business and the position of Colt Group S.A. and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

c) the Annual Report and consolidated financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the performance, business model and strategy of Colt Group S.A. and the undertakings included in the consolidation taken as a whole.

So far as the Directors are aware, there is no relevant audit information of which the Group's auditor is unaware and they have each taken all reasonable steps that they ought to have taken as a Director to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

The financial statements are published on the Company's website. The maintenance and integrity of the website is the responsibility of the Directors. Legislation in Luxembourg governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

The Directors, after making appropriate enquiries, believe that they have a reasonable basis for concluding that the Group has adequate facilities to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

Business model

The Board believes the Company has a business model that will create and deliver shareholder value. This is described in the Strategic Report on page 4.

Risk and risk management

The principal risks and uncertainties included within the "risk and risk management" section of the Strategic Report on pages 31 to 35 are incorporated by cross reference within this Report of the Board of Directors.

Corporate Social Responsibility

The Corporate Social Responsibility (CSR) review on pages 50 to 54 sets out the charitable donations made by the Group, the employment policies of the Group and action taken to involve employees in the business of the Group. The CSR review also covers how Colt addresses environmental matters. That review forms part of this report by cross reference.

Dividends

The Directors are not recommending the payment of a dividend (2013: €nil).

Annual General Meeting

The Annual General Meeting of the Company (AGM) is to be held at the Company's registered office, K2 Building, Forte 1, 2a rue Albert Borschette, L-1246, Luxembourg on Thursday 30 April 2015, starting at 11.00 am (Luxembourg time). The notice convening the meetings and the declaration of participation requiring shareholders to register their intention to vote are in a separate document sent to shareholders. All proposals in the notice of the meeting to be considered at the AGM will be decided by a poll of shareholders.

Approved by the Board of Directors and signed on its behalf by

Caroline Griffin Pain
Company Secretary
25 February 2015

Directors' remuneration report

"Pay for performance remains at the heart of Colt's remuneration policy. We continue to focus on ensuring that remuneration is aligned to delivering Colt's strategic imperatives and have improved transparency of reporting for 2014."

Lorraine Trainer
Chairman of the Remuneration Committee

Membership and attendance

Lorraine Trainer became Chairman of the Remuneration Committee on 24 April 2014. The other members of the Remuneration Committee during 2014 were as follows:

- Until 24 April 2014: Vincenzo Damiani (Chairman of the Committee), Andreas Barth, Gene Gabbard, Sergio Giacoletto, Katherine Innes Ker and Lorraine Trainer. Vincenzo Damiani was the Chairman of the Committee until 24 April 2014.
- From 24 April 2014: Lorraine Trainer (Chairman of the Committee) Olivier Baujard, Sergio Giacoletto and Katherine Innes Ker.

Director	Meetings held	Meetings attended	Percentage attended
Andreas Barth[2]	2	2	100%
Olivier Baujard[1]	3	3	100%
Vincenzo Damiani[2]	2	2	100%
Gene Gabbard[2]	2	2	100%
Sergio Giacoletto	5	5	100%
Katherine Innes Ker	5	3	60%
Lorraine Trainer	5	5	100%
Average % attendance			94%

[1] Appointed on 24 April 2014.

[2] Retired on 24 April 2014.

Remuneration Committee 2014 activities

The Terms of Reference of the Remuneration Committee are set out on the www.colt.net website.

During 2014, the Committee approved the 2013 Annual Incentive Plan award achievement level for the CEO and CFO. The Committee reviewed and approved the new structure of the 2013 Directors' Remuneration Report under the new UK Regulations and considered shareholder representative groups' feedback on the new Remuneration Report disclosure requirements. The Committee proposed amendments to the Share Grant Plan (SGP) design including phased vesting and holding periods for Core and Enhanced Awards. The Committee approved the metrics for the 2014 SGP for both the Core and Enhanced awards. The Committee reviewed and approved the 2011 SGP award result which vested and was released in March 2014. Other activities included reviewing the design and performance of Colt's Annual Incentive Plan (AIP) and the Terms of Reference of the Committee in light of the recent changes to the UK Corporate Governance Code. There was a review of basic pay across Colt. A salary freeze was in place in much of our operations, including for the Executive Directors. The Committee also reviewed the transition arrangements relating to the acquisition of KVH. An external evaluation of the Committee was also undertaken by EquityCommunications Ltd and the evaluation concluded that the Committee and its members were effective. Additional information on the Remuneration Committee's activities during the year is available on page 66 in the 2014 overview.

The Executive Vice President HR and the Vice President Performance and Reward, normally attend meetings of the Remuneration Committee.

The Remuneration Committee also received advice from FIT Remuneration Consultants LLP (a member of the Remuneration Consultants Group), Aon Hewitt and Towers Watson on salary, benefits and other remuneration trend data. This was used when considering the appropriate level of remuneration for the Executive Directors and other Colt employees and also the development of long-term incentives. In addition, Slaughter and May provided guidance on the rules of the long-term incentive plans. The advisors were appointed by the Company on the basis of relevant experience.

Statement from the Remuneration Committee Chairman

2014 - Performance and pay

Colt is a company in transformation in a challenging and fast-changing competitive market and we continue to ensure that remuneration packages for Executive Directors focus on the importance of variable pay and that payments reflect performance. We are also mindful to ensure that executive pay is not disporportionate and does not promote excessive risk taking. A pay freeze has operated for several years in respect of the Executive Directors' basic pay and we have determined that this will also apply in 2015. No exit payments were made to departing Directors or joining payments to new Directors.

Performance during 2014 was mixed. We successfully acquired KVH in line with our long-term strategic city expansion vision and reorganised the business along lines of business. However, our ambitious financial targets were only partially met and for this reason the AIP for the CEO has been determined to be 40% and for the CFO 55% of total achievable. The AIP for the departing CFO (Mark Ferrari) was set at 25%. The 2012 SGP vested at the end of 2014 at an achievement level of 44%. Having consulted and received feedback from shareholders we have improved transparency of the AIP and long-term incentive plan measures; for the first time we are disclosing the detailed targets on a retrospective basis for plans vesting in respect of the financial year. We continue to make every effort to ensure that performance targets are aligned to long-term Company strategy and to the creation of shareholder value. Targets are designed to be challenging and stretching but realistic. We have increased the proportion of AIP targets for Executive Directors linked to financial performance from 70% to 80% for 2015; the balance comprises appropriate personal targets, to support the delivery of Colt's strategy.

Currently Colt has several long-term incentive plans approved by shareholders for use as part of remuneration arrangements. These plans are nine years old and are due to be renewed. Colt intends to simplify the long-term incentive plans and proposes to seek shareholder consent to renew only one plan, the SGP, to use in the future. The only amendments to the plan are designed to reflect best practice corporate governance. We plan to consult with our major shareholders on the amendments as appropriate.

Format of the Report

This year's Remuneration Report is the second to be prepared under the revised UK regime for the reporting of executive pay introduced in 2013 and with which Colt continues to comply on a voluntary basis, given our status as a Luxembourg incorporated company. The Directors' Remuneration Policy was approved in April 2014 and took effect from that time. We have not made any changes to our Directors' Remuneration Policy so will not be seeking a vote on the policy at our AGM in 2015. For information the summary Policy table from the Directors' Remuneration Policy is included as an appendix to this section of the Annual Report. The Directors' Remuneration Policy is focused on aligning the interests of executives with our shareholders and is designed to enable Colt to attract, motivate and retain the talent required to deliver the strategy. During the year we have taken the opportunity to review and develop certain areas and principles, to build on the foundations in place. We have set out over the following pages details of the implementation of our reward policy in 2014 including:

- Details of what was paid, vested or awarded (conditional upon the application of performance tests) to Executive Directors in respect of the financial year ended 31 December 2014.
- Additionally, following shareholder feedback we have for the first time included detailed retrospective disclosure of the targets which were applied for our 2014 AIP and 2012 SGP (vesting in 2015).

Directors' remuneration report

CONTINUED

2014 overview

In 2014 the Remuneration Committee:

- Agreed remuneration arrangements for the recruitment of new Chief Financial Officer Hugo Eales in line with our Directors' Remuneration Policy.
- Introduced malus arrangements to complement current clawback provisions for incentive plans: clawback means retrieving sums already received by the Executive; malus means reducing the amount of awards that have been granted but where the relevant shares or compensation have not yet been released to the executive, in specified circumstances including material misstatement or gross misconduct.
- Reviewed the operating framework for the Remuneration Committee to help ensure reward in Colt supports the long-term strategy, devolved decision making and shareholder interest.
- Agreed that the AIP for Executive Directors in 2015 should be weighted 80:20 in respect of Group financial and personal goals respectively (This weighting was 70:30 in 2014).
- Introduced for the Core Awards under the SGP made in 2014 a two year phased vesting beyond the three year performance period to align with the SGP Enhanced Awards for Executive Directors and Executive Committee members. This gave both elements of the Plan a five year time horizon.
- Set new performance targets for SGP awards made in 2014. The revised performance range for Enhanced Awards retains the minimum requirement for 45% growth in TSR over three years as the threshold before any part of an award may vest and maximum vesting required a 60% growth in TSR. The level of performance required to produce vesting within this range will represent a stretch in performance which is consistent with the need to grow shareholder value and, in the Committee's opinion, this range of targets is no less challenging than those set in previous years, taking account of relative market conditions.

Remuneration Policy for 2015

For all SGP awards (Core Awards and Enhanced Awards) to be made in 2015 and thereafter, the grant terms will be further amended so that there will not be phased vesting after the three year performance period and instead a holding period will be applied so that no shares will be released until after a further two years from the third anniversary of the original award dates.

For 2015 the successful integration of KVH and leveraging the opportunities its acquisition brings will be a key goal for Colt as well as driving the business more effectively through the new go-to-market structure implemented towards the end of 2014. A priority for the Remuneration Committee will be to agree and oversee reward arrangements in line with these changes that help Colt deliver sustained profitable growth and increased shareholder value, drive appropriate behaviours and build a performance culture.

The Remuneration Committee believes that the Directors' Remuneration Policy remains appropriate for the Group and its commercial situation. It also reflects UK corporate governance best practice, and that the policy has the correct balance between retention and incentivisation for executives, which will be in shareholders' interests in the longer term.

Lorraine Trainer
Chairman of the Remuneration Committee

Directors' Remuneration Report

We have presented the Directors' Remuneration Report to reflect the UK's Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ("the UK Regulations"). The Company follows the UK Regulations as a matter of good practice, although it is not strictly required to do so as a Luxembourg incorporated company. The report also describes how the Board has complied with the provisions set out in the UK Corporate Governance Code relating to remuneration matters. The parts of the Directors' Remuneration Report which are audited are indicated.

The Directors' Remuneration Report, which has been approved and adopted by the Board of Directors, will be put to shareholders at the Annual General Meeting ("AGM") for approval. This vote will be advisory and so not of a mandatory nature.

Directors' Remuneration Policy

The Directors' Remuneration Policy was approved by the Company's shareholders at the Company's AGM on 24 April 2014 and has effect for all payments made to Directors from that date.

The Company's Directors' Remuneration Policy is available for inspection via the Company's website at: http://www.colt.net/uk/en/investor-relations/shareholder-communication/index.htm.

For ease of reference, the Policy table forming part of the approved Directors' Remuneration Policy is reproduced as an appendix to the Directors' Remuneration Report. This is in the same format as approved by shareholders at the 2014 AGM (with the removal of non-policy material which was specific to FY 2013).

Implementation Section of the Directors' Remuneration Report

Unaudited Information

Proposed Implementation of Remuneration Policy in 2015

Element of remuneration policy	Detail of implementation of policy for FY 2015
Base salary	Base salaries in 2015 will be as follows: €582,800 ($775,000) for Rakesh Bhasin and €403,000 (£325,000) for Hugo Eales. Rakesh Bhasin's services are provided under a secondment agreement with FMR LLC and his compensation is denominated and paid in US dollars. There has been no increase to Rakesh Bhasin's base salary since January 2008, and any change in his reported base salary since that date only reflects changes in the €:$ exchange rate. The stated base salary for 2015 was calculated using a $/€ exchange rate of 0.752 sourced from the European Central Bank's database. Hugo Eales' base salary is paid in Sterling pursuant to a service contract with Colt Technology Services Group Limited, the details of which are summarised in this Remuneration Report. The stated base salary for 2015 was calculated using a £/€ exchange rate of 1.240 sourced from the European Central Bank's database. Base salaries will continue to be subject to a pay freeze in 2015.
Pension	Rakesh Bhasin: pursuant to the secondment agreement with FMR LLC, the Company reimburses FMR LLC in respect of pension contributions for Rakesh Bhasin of between 2% and 4% of base salary. Hugo Eales: Company contribution to a DC pension of 10% of base salary (with an additional 3% Company match).
Benefits	There are no proposed changes to the benefits offered to Executive Directors in 2015. With Mark Ferrari leaving the Company on 31 December 2014, it is not anticipated that housing and utilities benefit will be provided in 2015.

Directors' remuneration report

CONTINUED

<table>
<tr><th>Element of remuneration policy</th><th>Detail of implementation of policy for FY 2015</th></tr>
<tr><td>Annual Incentive Plan (AIP)</td><td>The maximum AIP potential for 2015 will be:

Rakesh Bhasin: 200% of base salary (unchanged from 2014).

Hugo Eales: 125% of base salary (unchanged from 2014).

Performance measures for the 2015 AIP in summary comprise:

• Financial measures (80% of total) weighted as follows:

— budgeted EBITDA, 60% weighting of this element;

— budgeted Revenue, 40% weighting of this element;

• Individual Business Goals (20% of total).

Performance measures are chosen for each performance period to focus participants on achieving appropriate financial performance results as well as other relevant operational measures.

The actual performance targets for the performance measures are not disclosed prospectively as these are considered to be commercially sensitive by the Board. However, it is the current intention of the Company to disclose the performance targets for 2015's AIP on a retrospective basis in the Directors' Remuneration Report next year, consistent with the equivalent disclosures being made for the performance targets for 2014's AIP, as detailed in the following section of this report: Annual Incentive Plan outcomes for 2014.

In the Remuneration Committee's opinion, neither the AIP nor the SGP raises environmental, social or governance risks for the Company.</td></tr>
</table>

Element of remuneration policy	Detail of implementation of policy for FY 2015
Long-Term Incentive Plan	It is proposed to make awards under the SGP in 2015 as follows: **Rakesh Bhasin:** • Core Award — 150% of base salary • Enhanced Award — 200% of base salary **Hugo Eales:** • Core Award — 100% of base salary • Enhanced Award — 100% of base salary Performance measures for these awards are to be as follows: **Core Awards** Vest subject to financial performance measures applied over three financial years commencing with the financial year in which the award is made. The appropriate measures are selected each year by the Remuneration Committee having considered the Company's business plan. In previous years the performance measures for Core Awards have been a combination of Revenue and EBITDA. The targets for the performance measures for Core Awards are considered commercially sensitive by the Board given the dynamic nature of the Company's business plans in a highly competitive sector and are accordingly not disclosed in advance, although they represent considerable stretch in performance. It is the Company's intention to disclose the performance targets for Core Awards retrospectively in the Directors' Remuneration Report for the financial year in which the performance periods for these awards are completed, commencing with the 2012 SGP awards (vesting in 2015 by reference to 2014 performance), as detailed in the following section of this report: Share Grant Plan vesting for 2014. **Enhanced Awards** Vest subject to absolute Total Shareholder Return (TSR) performance in the period of three years from award. The exact targets will be determined by the Committee shortly prior to the award date. From 2015, the vesting range will require share price growth from the three day average price preceding the award date, with closing TSR measured using the 30 day average share prices ending on the day before the third anniversary of the award date. The 30 day averaging period represents a change from past practice (90 days), reflecting guidance received from the Investment Association. For both Core Awards and Enhanced Awards made in 2015, shares will only be released after a further two year holding period ending on the fifth anniversary of the original award date. Performance measures for Core Awards (currently Revenue and EBITDA) are solely or primarily financial measures which support the Company's long-term growth strategy. Performance measures for Enhanced Awards (absolute TSR growth) reward the creation of long-term shareholder value.
Shareholding guidelines	400% of base salary for the CEO and 300% of base salary for the CFO. See policy on page 80. The shareholding must be built up by retaining at least half of the shares vesting through long-term incentive plans (net of tax and expenses), until the CEO reaches 400% of his base salary in shares and the CFO reaches 300% of his base salary in shares.

Directors' remuneration report

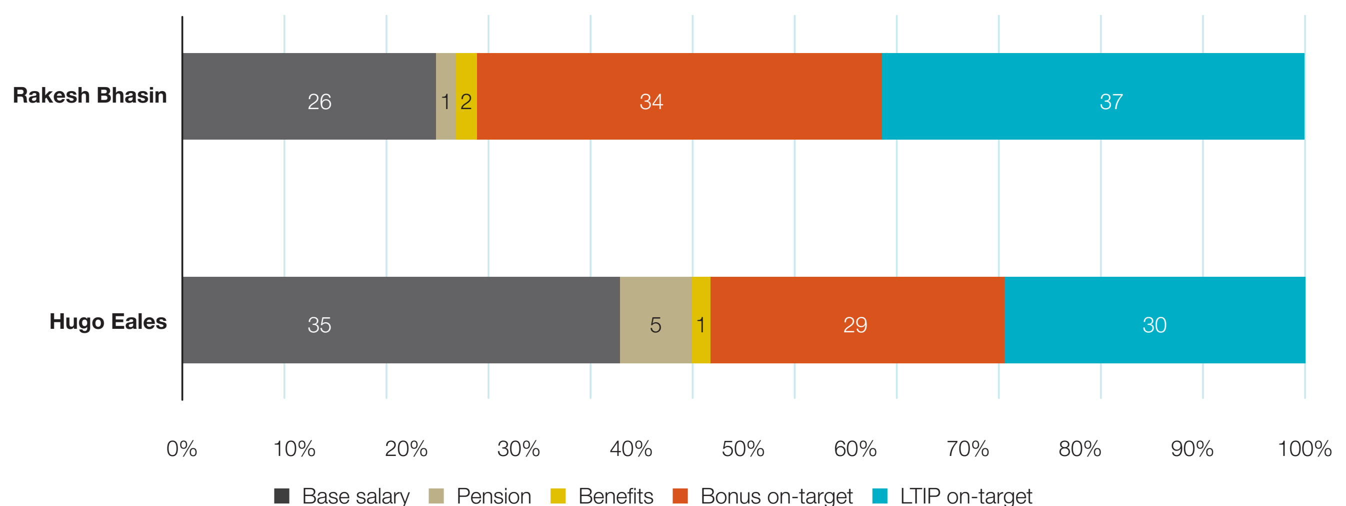
CONTINUED

<table>
<tr><th>Element of remuneration policy</th><th>Detail of implementation of policy for FY 2015</th></tr>
<tr><td>Chairman and Non-Executive Directors' fees</td><td>At the current time, fee levels for Non-Executive Directors remain unchanged from 2014 levels and are as follows:
• Base fee: €62,500
• Senior Independent Director: €7,500
• Audit or Remuneration Committee chairmanships: €15,000
• Audit or Remuneration Committee member: €7,500
In line with the Company's Directors' Remuneration Policy, these fee levels are subject to periodic review, with the next review scheduled to take place during 2015.
As explained in the single figure table in the audited section of the Remuneration Report, the Chairman is employed by FIL Limited and receives no remuneration from FIL Limited attributable to duties for the Company and, as set out in his letter of appointment, receives no remuneration from Colt.</td></tr>
</table>

Proportion of fixed and variable remuneration

The table below shows the approximate targeted proportion of fixed and variable remuneration for the Executive Directors.

The assumptions regarding AIP targeted levels are consistent with those in the "scenario charts" as prescribed by the UK Regulations. The values for SGP awards represent expected values for both Core and Enhanced Awards.



Termination arrangements for Mark Ferrari

As announced on 17 October 2014, Mark Ferrari stepped down from the Colt Board on 31 October 2014 and he left the Company on 31 December 2014. In line with the Company's Directors' Remuneration Policy:

- As Mark Ferrari's services were provided under a secondment agreement with FMR LLC, no compensation was payable by the Company as a consequence of Mark Ferrari stepping down from the Board or leaving the Company;
- Mark Ferrari retained his eligibility for an AIP for 2014 as he had been engaged in the business throughout the 2014 financial year;
- As Mark Ferrari had worked throughout the entire three year performance period for the 2012 SGP awards (three financial years to 31 December 2014) the Remuneration Committee determined in accordance with the terms of the Share Grant Plan rules that he should be permitted to retain this award, but with no acceleration of vesting and subject to continued application of the applicable Revenue and EBITDA performance conditions;
- Mark Ferrari's 2013 and 2014 SGP awards have lapsed in accordance with the SGP rules.

All payments to Mark Ferrari in 2014, including an estimated value for the 2012 SGP award which is scheduled to vest in March 2015, are included in the single figure table of remuneration within the audited section of the Remuneration Report.

Directors' remuneration report

CONTINUED

Service contract for Hugo Eales

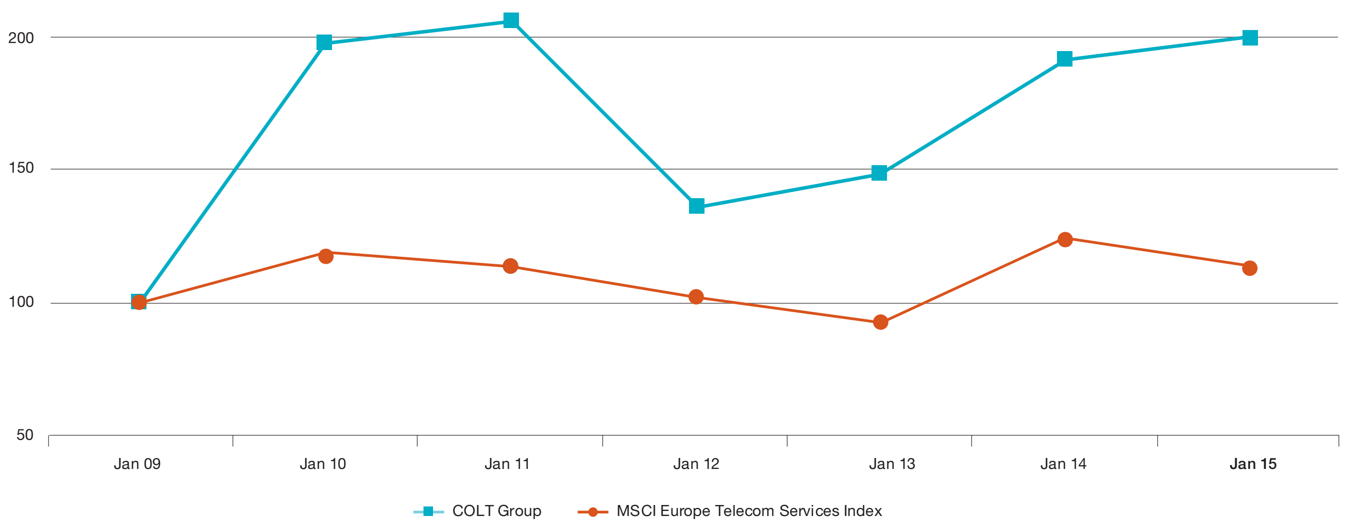
Hugo Eales entered into a service contract with Colt Technology Services Group Limited as Chief Financial Officer with effect from 1 November 2014. This service contract provides for an initial 12 week notice period from either party, increasing to a 26 week notice period after one year of employment. During any notice period, the executive would be entitled to base salary and benefits (including pension contributions) only. The Company may choose to terminate the service contract by making a payment in lieu of notice equal to base salary and benefits for the period of notice (or the remainder of any unexpired period of notice). The Company will have regards to mitigation and using phased payments in respect of any payments relating to termination of employment.

Hugo Eales was eligible to be considered for a prorated AIP in 2014 for the period of time from his starting work with the Group on 1 November 2014 until the financial year end, and based on his AIP potential (125% of base salary) and business and individual objectives (70%:30% weightings). Details regarding the AIP outcomes for 2014 are disclosed in the audited section of the Directors' Remuneration Report.

Read more on page: 76

Colt v MSCI Europe Telecom Services Index

The graph below shows the Company's share performance against the Morgan Stanley MSCI Europe Telecom Services Index (both rebased to 100 as at 1 January 2009). This index was selected because it is the principal index of European Telecom Service providers.



In accordance with the UK Regulations, the above chart must be supported by a summary of the remuneration of the CEO.

Directors' remuneration report

CONTINUED

		Single figure of total remuneration[1] (€'000)	Annual variable element award rates against maximum opportunity[2]	Long-term incentive vesting rates against maximum opportunity[3]
2014	Rakesh Bhasin	€1,657	40%	44%
2013	Rakesh Bhasin	€1,373	51%	39%
2012	Rakesh Bhasin	€1,943	80%	60%
2011	Rakesh Bhasin	€1,945	84%	67%
2010	Rakesh Bhasin	€1,814	79%	40%
2009	Rakesh Bhasin	€1,674	82%	40%

Note: Rakesh Bhasin's remuneration is paid in US dollars.

The figures above have not been adjusted for currency fluctuations.

[1] The single figure of total remuneration for each year is calculated on the same basis as in the single figure table.

[2] The maximum bonus opportunity for the CEO has been 200% of base salary over the six-year period that this table relates to.

[3] The long-term incentive vesting rates against maximum opportunity for years before 2014 represent the percentage of each tranche vesting in the corresponding year. For example, the 2012 figure of 60% represents the combined vesting rate of the third tranche of the 2010 SGP award and the second tranche of the 2011 SGP award.

Percentage increase in CEO pay compared to employee pay

In accordance with UK Regulations, we present in the table below the percentage change in the prescribed pay elements (salary, taxable benefits, and annual bonus outcome) of the CEO and the average percentage change for all staff between the financial year 2013 and financial year 2014.

Year-on-year % change	Salary	Taxable benefits[1]	Annual bonus
CEO[2]	0.0%	0.0%	-22.0%
All staff[2]	3.7%	4.7%	48.1%

[1] Benefits change based on UK employees only.

[2] These calculations are at a constant exchange rate.

Distribution statement

Colt's overall expenditure on pay has increased between 2013 and 2014 by 3.4% (2013: €357.4m; 2014: €369.5m) with the comparison carried out on a basis consistent with note 5 Employee Information in the notes to the consolidated financial statements. Colt's continued policy has not been to pay dividends as, consistent with many other technology companies, our policy is to reinvest surplus cash rather than make distributions.

Voting outcomes from AGM 2014

	For		Against		Abstain	
	Number	%	Number	%	Number	%
To approve the Directors' Remuneration Report, other than the part containing the Directors' Remuneration Policy, for the financial year ended 31 December 2013	799,106,102	98.13%	15,209,519	1.87%	2,812	0.00%
To acknowledge the Directors' adoption of the forward-looking Directors' Remuneration Policy, to be applicable from 24 April 2014	772,801,890	94.90%	41,530,909	5.10%	6,489	0.00%

AUDITED INFORMATION

Directors' remuneration

The tables below set out details of the remuneration paid by Colt in respect of 2014 for Directors of the parent company of the Group. The Directors represent the key management personnel of the Group.

Non-Executive Directors

Name (€'000)	Fee	SID fee	Audit Comm. fee	Remuneration Comm. fee	Committee Chair fee	2014	2013
Andreas Barth[2]	20.8	–	2.5	2.5	–	**25.8**	77.5
Olivier Baujard[3]	46.9	–	5.6	5.6	–	**58.1**	–
Vincenzo Damiani[2]	20.8	–	–	–	5	**25.8**	77.5
Gene Gabbard[2]	20.8	–	2.5	2.5	–	**25.8**	77.5
Sergio Giacoletto	62.5	7.5	7.5	7.5	–	**85.0**	85.0
Simon Haslam[1]	–	–	–	–	–	**–**	–
Tim Hilton[1]	–	–	–	–	–	**–**	–
Katherine Innes Ker	62.5	–	7.5	7.5	–	**77.5**	25.8
Anthony Rabin	62.5	–	–	–	15	**77.5**	77.5
Lorraine Trainer[4]	62.5	–	–	1. 9	11.2	**75.6**	5.8
Michael Wilens[1]	–	–	–	–	–	**–**	–
Total	359.3	7.5	25.6	27.5	31.2	**451.1**	426.6

[1] Tim Hilton and Michael Wilens are employed by FMR LLC and Simon Haslam is employed by FIL Limited. They receive no remuneration from FMR LLC or FIL Limited attributable to their duties for the Company and, as set out in their letters of appointment, receive no remuneration from Colt.

[2] Retired from the Board on 24 April 2014.

[3] Olivier Baujard was appointed to the Board as a Non-Executive Director on 24 April 2014.

[4] Lorraine Trainer was appointed Chairman of the Remuneration Committee on 24 April 2014 and the split of the Remuneration/Committee Chair fee takes into account Vincenzo Damiani's tenure until 24 April 2014 and Lorraine Trainer's tenure from the same date as a Committee member and Chairman.

Executive Directors

Single figure table

Name (€'000)	Salary/fees[1] 2014	Salary/fees[1] 2013	Benefits[2] 2014	Benefits[2] 2013	Annual incentive[3] 2014	Annual incentive[3] 2013	Long-term incentives[4,5] 2014	Long-term incentives[4,5] 2013	Pension 2014	Pension 2013	Total 2014	Total 2013
Rakesh Bhasin	**583**	584	**46**	45	**466**	595	**549**	136	**13**	13	**1,657**	1,373
Hugo Eales[6]	**67**	–	**2**	–	**46**	–	**–**	–	**9**	–	**124**	–
Former Directors												
Mark Ferrari[7]	**339**	339	**295**	531	**148**	267	**212**	53	**13**	10	**1,007**	1,200

[1] Base salary represents the total amount of: 1) salary paid during 2014 and 2) amounts outstanding and due to be paid in 2015 in respect of employment services in 2014. Rakesh Bhasin's and Mark Ferrari's salaries are payable in US dollars and provided under secondment agreements with FMR LLC under which all the remuneration attributable to their duties to the Company was paid by the Company. Hugo Eales is paid in Sterling and is paid pursuant to a service contract with Colt Technology Services Group Limited. The exchange rates used in the above calculations are sourced from the European Central Bank's database (2014: $/€0.752 and £/€1.240) (2013: $/€0.753).

[2] The benefits amounts include as appropriate: housing benefit, private health insurance and other similar benefits. For Mark Ferrari, a payment in respect of tax equalisation was made by the Group representing €0.1m (2013 €0.3m), although pursuant to Mr Ferrari's secondment agreement with FMR, half of this amount was paid directly by FMR.

[3] AIP performance measures and targets for 2014's AIP are as explained below.

[4] The performance measures and targets for long-term incentives vesting in relation to 2014's performance are explained below.

[5] 2014 long-term incentive figures represent 44% of the 2012 award vesting multiplied by the three month average share price to the financial year end (€1.67). The 2013 long-term incentive figures in last year's annual report used the three month average share price to the financial year end (€1.48) and 39% vesting of the third tranche of 2011's Share Grant Plan award which was assessed by reference to 2013 financial performance. The 2013 figures in the above table have been updated to use the actual share price on the date of release of the 2011 award (20 March 2014: €1.708) converted using the spot £:€ exchange rate on that day.

[6] Hugo Eales was appointed to the Board on 1 November 2014 and the figures in the above table represent remuneration earned since that date.

[7] Mark Ferrari stepped down from the Board on 31 October 2014 although the figures in the above table represent all remuneration paid until he left the Company on 31 December 2014.

Directors’ remuneration report

CONTINUED

The aggregate remuneration of all Directors under salary, benefits and annual incentive in 2014 was €2.5m (2013: €2.8m).

Annual Incentive Plan outcomes for 2014

The table below shows the actual out-turn against the AIP maximum.

Name	Financial measures (70%)	Individual business goals (30%)	Total as % of maximum	Total as % of base salary	Maximum as % of base salary
Rakesh Bhasin	25%	15%	40%	80%	200%
Mark Ferrari	25%	0%	25%	44%	175%
Hugo Eales[1]	25%	30%	55%	69%	125%

[1] Hugo Eales' employment started at Colt on 1 November 2014. He was eligible for a prorated annual incentive for 2014 based on his bonus potential (125% of base salary) and business and individual objectives (70%:30% weightings) as shown above.

Financial performance measures out-turns were as detailed below.

Performance measure	% of 70% of incentive potential	Threshold €m	Maximum €m	Performance achieved €m	Performance achieved against each measure	% of total AIP maximum achieved
Revenue — less Data Centre Services asset sales	60%	1,429.7	1,554.0	1,468.2	58.3%	24.5%
EBITDA — less Data Centre Services Asset sales	40%	304.4	342.0	297.2	0.0%	0.0%

Details of the individual business goals applied for 2014’s AIP are as follows:

Mr Bhasin: Delivering the objectives of the annual plan and the updated growth plans, leading strategic priorities and key projects, delivering cost savings and induction plans, driving operational excellence and developing overall leadership capability at Colt.

Mr Ferrari: Improving management and Board reporting, improving profitability reporting and provision of competitive data, developing the forecast process, developing finance organisation and delivering continuous improvement in governance and risk management across Colt.

Mr Eales: Managing the end-to-end process, from preparation to approval, in respect of the 2015 budget; overseeing the closure of 2014 accounts and providing appropriate Board reports.

Share Grant Plan vesting for 2014

The 2012 award granted under the SGP vested in respect of 2014's performance. For the 2012 award performance metrics were set comprising the following elements and weighting:

Name	Weighting	Threshold €m	Maximum €m	Performance achieved €m	Percentage achieved against each measure	Percentage of total SGP maximum vesting achieved
Total revenue less Voice and DCS asset sales	60%	980.2	1,225.2	1,057.3	72.6%	44.0%
EBITDA less DCS asset sales	40%	297.8	372.2	295.0	0.0%	0.0%

Overall, a weighted performance pay-out level of 44% was achieved in respect of the 2012 Share Grant Plan award. For Mr Bhasin this produced vesting of 329,111 shares with a market value as at 31 December 2014 of €0.6m and for Mr Ferrari this produced vesting of 127,398 shares with a market value as at 31 December 2014 of €0.2m. It is anticipated that these shares will be released to Mr Bhasin and Mr Ferrari in March 2015.

The difference between the EBITDA less DCS asset sales for SGP (€295.0m) and the equivalent figure for AIP (€297.2m) is mainly due to adjustments reflecting the impact of exchange rates applying in 2012 when the SGP targets were originally set. The SGP targets remain as set in 2012. No adjustments were made for the changes in group strategy or acquisition of KVH in 2014.

At the end of each three year vesting period for each SGP award the Committee has discretion to adjust the number of shares vested up or down by up to 20% to reflect any exceptional circumstances, provided that the maximum is the number of shares over which the award was made. To date the Remuneration Committee has not exercised such discretion. The Remuneration Committee has discretion to adjust targets to take into account the acquisition of KVH if it decides that such amendments or alternative performance criteria are appropriate and are, in its opinion, no less challenging than the existing performance criteria.

Share plan awards made to Executive Directors in 2014

It is anticipated that the Committee will grant Core Awards on an annual basis and the Committee will consider whether or not to make Enhanced Awards on an annual basis. In 2014, both Core and Enhanced Awards were granted as described in the table below.

Director	Grant date	Plan and type of award[1]	No. of shares	Face value[2] €'000	Threshold vesting level %	Vesting level % at maximum performance	Anticipated vesting date[4]
Rakesh Bhasin	15 August 2014	Core Award	498,537	869	Revenue portion – 30% EBITDA portion – 30%	100%	1/3 Mar 2017 1/3 Mar 2018 1/3 Mar 2019
	15 August 2014	Enhanced Award	664,716	1,159	30%	100%	1/3 Aug 2017 1/3 Aug 2018 1/3 Aug 2019
Mark Ferrari[3]	15 August 2014	Core Award	289,473	505	Revenue portion – 30% EBITDA portion – 30%	100%	1/3 Mar 2017 1/3 Mar 2018 1/3 Mar 2019
	15 August 2014	Enhanced Award	289,473	505	30%	100%	1/3 Aug 2017 1/3 Aug 2018 1/3 Aug 2019
Hugo Eales	17 November 2014	Core Award	239,323	411	Revenue portion – 30% EBITDA portion – 30%	100%	1/3 Mar 2017 1/3 Mar 2018 1/3 Mar 2019
	17 November 2014	Enhanced Award	239,323	411	30%	100%	1/3 Nov 2017 1/3 Nov 2018 1/3 Nov 2019

[1] All awards are made under the SGP. Performance measures and the basis on which awards are made are as summarised below.

[2] Face value reflects three day average share prices at the grant date converted to Euro at rates for that day being: 15 August 2014: 139.0p (€1.743); 17 November 2014: 135.8p (€1.7167).

[3] The awards shown above as being granted to Mark Ferrari in 2014 lapsed in connection with his leaving the Company.

[4] Vested awards are released on a phased basis on the third, fourth and fifth anniversaries of the grant dates shown.

Directors' remuneration report

CONTINUED

Performance conditions for SGP awards granted in 2014

Core Awards

Core Awards are subject to three year revenue (50% of awards) and EBITDA targets (50% of awards) measured over three financial years, commencing with the financial year in which the award is made.

The performance targets for the revenue and EBITDA performance measures for Core Awards are considered commercially sensitive by the Board given the dynamic nature of the Company's business plans in a highly competitive sector and are accordingly not disclosed prospectively, although they do represent considerable stretch in performance. The performance targets for the 2014 Core Awards will be disclosed retrospectively in the Directors' Remuneration Report for the year in which these performance periods are completed (31 December 2016), consistent with the disclosures made for Core Awards vesting by reference to 2014 financial year performance as set out earlier in this Directors' Remuneration Report.

Each performance measure is assessed separately and it is possible for vesting to be achieved under one performance measure and not the other. At the threshold level of performance for these measures, 30% of total Core Awards can be achieved under the revenue measure and 30% under the EBITDA measure.

Enhanced Awards

Enhanced Awards are subject to a performance condition based on absolute growth in TSR. The initial measurement price for the TSR growth measures is a Colt share price of £1.39 (based on mid-market prices over the three day period prior to the grant date of 15 August 2014 for Rakesh Bhasin), and £1.36 for the grant made on 17 November 2014 to Hugo Eales.

For 30% of the award to vest, a TSR growth of at least 45% must be achieved; full vesting will occur if 60% TSR growth is achieved. The relevant share price for this TSR growth will be the average closing price (as derived from the Daily Official List of the London Stock Exchange) for those dealing days falling within the period of 90 days ending on the day before the third anniversary of the date of grant. These growth levels were set by the Committee as they represented very stretching growth targets.

Average share price achieved over 90 days preceding 15 August 2017	Vesting level
Below £2.02	0%
£2.02 (threshold)	30%
£2.22 or above (maximum)	100%

Vesting values for Hugo Eales will be aligned to the 90 day average share price achieved prior to 15 August 2017. Release dates will be aligned to the grant date anniversary, i.e. November.

Vesting between threshold and maximum will be calculated on a straight-line basis.

Vesting is also subject to the Committee deciding, in their absolute discretion, that the recorded TSR is a genuine reflection of the Company's underlying financial performance.

Any vested shares under Enhanced Awards made in 2014 will be released in three equal tranches on the third, fourth and fifth anniversaries of the original award date. Comparable phased vesting will also apply for Core Awards granted in 2014.

Directors' shareholdings and share interests

Details of Directors' shareholdings in Colt and the progress of Executive Directors towards the shareholding guidelines described in the Directors' Remuneration Policy table are set out in the Report of the Board of Directors on page 48. On 1 January 2013 the shareholding guidelines for Executive Directors were amended as follows (increased from 100% of base salary):

CEO: 400% of base salary

CFO: 300% of base salary

Share Grant Plan: awards at 31 December 2014

Name	Date of original award	Type of award	Max no. of shares in original award	Share price at date of award	Usual vesting date
Rakesh Bhasin	Feb 2012	Core	747,980	£0.98	Mar 2015
Rakesh Bhasin	Mar 2013	Core	619,473	£1.25	Mar 2016
Rakesh Bhasin	May 2013	Enhanced	861,747	£1.16	May 2016
Rakesh Bhasin	Aug 2014	Core	498,537	£1.39	Mar 2017/Mar 2018/Mar 2019
Rakesh Bhasin	Aug 2014	Enhanced	664,716	£1.39	Aug 2017/Aug 2018/Aug 2019
Mark Ferrari	Feb 2012	Core	289,541	£0.98	Mar 2015
Hugo Eales	Nov 2014	Core	239,323	£1.36	Mar 2017/Mar 2018/Mar 2019
Hugo Eales	Nov 2014	Enhanced	239,323	£1.36	Nov 2017/Nov 2018/Nov 2019

Notes to SGP table

1. None of the above SGP awards were vested at 31 December 2014.
2. All of the awards above are conditional rights to acquire shares and are subject to performance measures (as summarised in the Directors' Remuneration Policy table for Core and Enhanced Awards respectively).
3. Awards vesting in 2014 were as follows:
   Rakesh Bhasin – 336,993 shares granted under the 2011 SGP award vested on 20 March 2014
   Mark Ferrari – 130,449 shares granted under the 2011 SGP award vested on 20 March 2014
   These vestings represented a total 55% vesting of the 2011 SGP award, being the aggregate of 67%, 60% and 39% vesting respectively for the three tranches of this award. Share price on 20 March 2014 was £1.426 (€1.708).
4. Awards granted to Mark Ferrari in 2013 and 2014 lapsed in the year in connection with his leaving the Company.
5. Aggregate gains from vested share awards in 2014 were €798,390 (2013: €319,300).

Approved by the Board of Directors and signed on its behalf by

Lorraine Trainer
Chairman of the Remuneration Committee

Appendix to Directors' remuneration report: for shareholders' information (Unaudited)

Policy Table from Directors' Remuneration Policy approved at 2014 AGM

Executive Directors

Element	Purpose and link to strategy	Operation	Maximum	Performance conditions
Context of policy (this section does not technically form part of the policy and is for information only)	The Group's policy is to put in place remuneration arrangements that support and motivate the delivery of our corporate strategy and reward value creation. We place a significant emphasis on performance-related elements of total remuneration for Executive Directors and senior management and we aim to align their interests with those of shareholders. We recognise the portability of global senior talent and the importance of retention of a motivated senior team. The key objective of our policy is to align remuneration strategy with business strategy whilst properly taking account of external best practice and developments in the regulatory environment. This includes ensuring that remuneration policy and plans are driving appropriate behaviours and priorities to deliver strategic goals and improved shareholder value, management of risk and opportunity and ensuring linkage of awards to both short-and long-term performance. We aim to create a culture of high performance, engagement and trust in which our people can realise their personal potential and effectively contribute to driving Colt forward in line with our values. High quality reward plans and processes that are well integrated into our overall approach to developing and managing our talent are critical in ensuring our success.			
Base salary	Helps attract, retain and motivate employees as part of a competitive total pay package.	Base salaries for the Executive Directors are set when they are appointed to the role, and are reviewed annually with consideration taken of the Executive's experience, responsibility, market value, market conditions and pay levels across the rest of the organisation. Any assessment will look at all relevant factors and is not tied to a fixed position relative to external benchmark data. Rakesh Bhasin is and Mark Ferrari was paid in US dollars and their services are/were provided under secondment agreements with FMR LLC (see the total single figure of remuneration in the audited part of this report for additional information).[1]	Base salaries will continue to be under review each year and the Committee will apply the factors set out in the previous column in considering any salary adjustments.	None.

Element	Purpose and link to strategy	Operation	Maximum	Performance conditions
Annual Incentive Plan (AIP)	Rewards the achievement of strategic financial and operational performance. The operational measures recognise how we do things as well as what we do and demonstrate our commitment to our values.	Performance measures are chosen and performance targets are set by the Committee at the commencement of each financial year. AIP outcome levels are determined by the Committee after the year end based on performance against the pre-set financial and business objectives measures. All of the AIP outcomes are payable in cash following the determination of the amount earned. However, the Committee reserves discretion to build in the facility to defer part of the bonus (whether into cash or shares) if it believes that this is appropriate. Clawback or malus can apply to AIP outcomes in the event of gross misconduct or a material misstatement of financial results within three years of the relevant performance period for that bonus outcome.[2]	Current levels of annual bonus maxima are set out in the section of this table describing the implementation of our policy in 2014 and 2015.[3] Shareholder agreement would be sought for any increase in maximum award levels. Under 2014 scales threshold performance against both key financial measures generates 25% of maximum bonus opportunity. The operational performance measures are judged against targets specific to these measures and may be paid additionally. The Committee, however, reserves the right to adjust these levels for future financial years if in the opinion of the Committee it is appropriate to do so in light of competitive practice.	The Committee may set such performance measures and targets for the AIP as it considers appropriate.[4] These conditions may be financial or non-financial and corporate, divisional or individual and in such proportions as the Committee considers appropriate. Once set, performance measures will generally remain unchanged for the year, except to reflect events such as corporate acquisitions or other major transactions. Additionally, the Committee will consider the outcomes against pre-set targets following their calculation and retains discretion to make appropriate adjustments against these outcomes in any year to take account of a range of factors including the Committee's view of overall Company performance in the year and related contexts.

Appendix to Directors' remuneration report: for shareholders' information (Unaudited)

CONTINUED

Element	Purpose and link to strategy	Operation	Maximum	Performance conditions
Long-Term Incentive Plan	Aligns executive and shareholder interests. Attracts and retains senior employees.	Colt operates the Share Grant Plan ("SGP") which, since 2013, vests a minimum of three years from grant and allows for two forms of award: Core Award – vests after three years from grant Enhanced Award – vests in three tranches after three, four and five years from grant.[5] Both Core Awards and Enhanced Awards are subject to the performance measures described in this table for each type of award.[6] All SGP awards are subject to potential clawback or malus on a basis consistent with that described for the Annual Incentive Plan above. The Company's policy is to honour the vesting of all awards granted in line with previous policies. For completeness, the SGP: Has flexibility to allow for awards on terms other than those described for Core Awards and Enhanced Awards above; and Has the capacity for the number of shares in awards to be increased by the value of any dividends paid.	Maximum awards may be up to 350% of base salary, with the maximum level of Core Award being 200% of base salary within this limit. The Committee expressly reserves discretion to make such awards as it considers appropriate within these limits and specifically it may vary the mix of Core Awards and Enhanced Awards as appropriate whilst maintaining the limit described above.	The Committee may set such performance conditions for Share Grant Plan awards as it considers appropriate (whether financial or non-financial and whether corporate, divisional or individual). Current performance conditions for Core Awards and Enhanced Awards are described below,[6] although the Committee expressly reserves discretion to introduce alternative measures for future awards within the period for which this policy operates. The Committee also has discretion to adjust the performance conditions following corporate actions or other significant events, or to take account of changes in calculation methodologies.

Element	Purpose and link to strategy	Operation	Maximum	Performance conditions
Benefits and pensions	Helps recruit and retain employees, although the policy is to de-emphasise indirect elements of compensation.	The Committee reviews benefits provided periodically. While no change to the policy on pension provision is currently envisaged, the Committee reserves the right to consider the appropriate policy having regard to the needs of the Company and to relevant market data. Colt will honour the pensions obligations entered into under all previous policies in accordance with the terms of such obligations.	The Committee reserves discretion to introduce new benefits where they conclude that it is in the interests of Colt to do so, having regard to the particular circumstances and to market practice. The Committee will monitor the costs of benefits in practice and ensure that the overall costs do not increase by more than the Committee considers to be appropriate in all the circumstances. Likewise for pension contributions, the Committee will monitor the costs in practice and ensure that the overall costs do not increase by more than the Committee considers to be appropriate in all the circumstances.	N/A
Shareholding Guidelines	For Executive Directors to build and maintain a long-term ownership position and align their interests with those of shareholders.	Half of all shares vesting from long-term incentive plans (net of tax and costs) must be retained until the guideline is achieved. The guidelines are not contractual and no penalty arises if the executive does not comply with this.	400% of base salary for the CEO and 300% of base salary for the CFO. The Committee reserves the right to alter the level of shareholdings required by these guidelines.	N/A

Appendix to Directors' remuneration report: for shareholders' information (Unaudited)

CONTINUED

Non-Executive Directors

Element	Purpose and link to strategy	Operation	Maximum	Performance conditions
Directors' fees	To appropriately compensate Non-Executive Directors of the highest calibre.	Fee levels are periodically reviewed by the Board having regard to external comparators but do not necessarily follow a fixed position against benchmark data. Non-Executive Directors currently receive an annual cash retainer fee plus additional fees for certain additional roles. Non-Executive Directors also receive reimbursement of travel related expenses. No part of Non-Executives' fees are paid in the form of options or other incentives, benefits or pensions. However, the Committee reserves the right to consider how to structure the Non-Executive Directors' fees in the light of developing market practice and whether to utilise a general retainer, committee membership, chairmanship, attendance fees, or Board attendance or time based or travel allowances.	Any increases or changes in the structure of fee levels will reflect the Board's assessment of competitive conditions and the contribution of the Directors. Whilst the Chairman is currently paid no fees by Colt as a consequence of his role at a Fidelity related company, should Colt appoint an external candidate as Chairman in future then fees would be set by reference to market levels.	N/A

[1] Hugo Eales has been appointed as CFO under the terms of a service contract with Colt Technology Services Group Limited. The terms of this contract are summarised in the Directors' Remuneration Report. The Directors' Remuneration Policy as approved by shareholders at the 2014 AGM permitted the Company to engage Directors via service contracts (with an up to 12 months' notice period).

[2] Clawback provisions have been enhanced during 2014 as further explained in the Remuneration Committee Chairman's letter at the commencement to the Directors' Remuneration Report.

[3] Annual Incentives maxima are currently: Rakesh Bhasin – 200% of base salary (unchanged from 2014); Hugo Eales – 125% of base salary.

[4] See the table of "Proposed Implementation of Remuneration Policy in 2015" for details of current Annual Incentive Plan performance measures and the rationale for choosing these measures.

[5] As described in the Remuneration Committee Chairman's letter at the commencement to the Directors' Remuneration Report, both Core Awards and Enhanced Awards made in 2015 will be subject to a two-year holding period after the third anniversary of the original award dates before any vested shares will be released.

[6] See the table of "Proposed Implementation of Remuneration Policy in 2015" for details of current SGP performance measures and the rationale for choosing these measures.

Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2014

Colt Group S.A.
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Independent auditors' report

to the shareholders of Colt Group S.A.

Audit report
To the shareholders of Colt Group S.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Colt Group S.A. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Colt Group S.A. as of 31 December 2014, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The Directors' report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

The accompanying Corporate Governance Statement on pages 50 to 63, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law with respect to the Corporate Governance Statement.

PricewaterhouseCoopers Société coopérative
Luxembourg, 25 February 2015
Represented by

Gilles Vanderweyen

Consolidated income statement

	Notes	Year ended 31 December 2014 Before exceptional items €m	Exceptional items* €m	After exceptional items €m	Year ended 31 December 2013 €m
Revenue	2	1,495.5	–	1,495.5	1,575.8
Cost of sales					
Interconnect and network		(887.3)	(7.8)	(895.1)	(942.9)
Network depreciation		(221.6)	–	(221.6)	(232.7)
		(1,108.9)	(7.8)	(1,116.7)	(1,175.6)
Gross profit		386.6	(7.8)	378.8	400.2
Operating expenses					
Selling, general and administrative		(311.1)	(23.3)	(334.4)	(312.8)
Other depreciation and amortisation		(54.5)	–	(54.5)	(48.0)
Impairment expense	10	–	(15.0)	(15.0)	–
		(365.6)	(38.3)	(403.9)	(360.8)
Operating (loss) profit		21.0	(46.1)	(25.1)	39.4
Other income (expense)					
Finance income	6	0.6	–	0.6	0.4
Finance costs	6	(5.3)	–	(5.3)	(0.7)
Net foreign exchange gain arising on finance activities		6.7	–	6.7	3.3
		2.0	–	2.0	3.0
(Loss) profit before taxation	3	23.0	(46.1)	(23.1)	42.4
Taxation	8	(5.1)	–	(5.1)	(4.4)
(Loss) profit for the year		17.9	(46.1)	(28.2)	38.0
Attributable to:					
Owners of the Company		17.9	(46.1)	(28.2)	39.3
Non-controlling interest	17	–	–	–	(1.3)
		17.9	(46.1)	(28.2)	38.0
Basic (loss) earnings per share	9	€0.02		(€0.03)	€0.04
Diluted (loss) earnings per share	9	€0.02		(€0.03)	€0.04

* Details of exceptional items are provided in note 7.

All results derived from continuing operations.

Consolidated statement of comprehensive income

	Notes	**2014 €m**	2013 €m
(Loss) profit for the year		**(28.2)**	38.0
Items that will not be reclassified subsequently to the income statement:			
(Loss) gain on remeasurement of net defined benefit obligations	8,26	**(2.4)**	3.4
Items that may be reclassified subsequently to the income statement:			
Exchange gain (loss) differences on translation of foreign operations		**38.3**	(15.0)
Total recognised comprehensive income for the year		**7.7**	26.4
Attributable to:			
Owners of the Company		**7.7**	27.7
Non-controlling interest	17	**–**	(1.3)
		7.7	26.4

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 8.

The accompanying notes are an integral part of the financial statements.

Consolidated statement of financial position

	Notes	As at 31 December 2014 €m	2013 €m
ASSETS			
Non-current assets			
Intangible assets	10	**231.0**	180.4
Property, plant and equipment	11	**1,455.3**	1,316.1
Deferred tax assets	13	**61.3**	59.5
Total non-current assets		**1,747.6**	1,556.0
Current assets			
Trade and other receivables	14	**302.4**	275.6
Cash and cash equivalents	15	**77.4**	195.6
Total current assets		**379.8**	471.2
Total assets		**2,127.4**	2,027.2
EQUITY			
Capital and reserves			
Share capital and share premium		**1,407.1**	1,405.5
Shares to be issued	16	**9.0**	9.5
Translation reserve		**(3.6)**	(41.9)
Other reserves	16	**(164.9)**	(164.9)
Retained earnings		**272.3**	302.9
Total equity		**1,519.9**	1,511.1
LIABILITIES			
Non-current liabilities			
Finance lease liabilities	23	**39.1**	–
Provisions for other liabilities and charges	19	**44.9**	17.6
Other payables		**4.1**	5.0
Post employment benefits	26	**22.9**	4.9
Deferred tax liabilities	13	**–**	0.1
Total non-current liabilities		**111.0**	27.6
Current liabilities			
Trade and other payables	18	**461.8**	467.8
Current tax liabilities		**9.3**	6.9
Finance lease liabilities	23	**1.8**	–
Provisions for other liabilities and charges	19	**23.6**	13.8
Total current liabilities		**496.5**	488.5
Total liabilities		**607.5**	516.1
Total equity and liabilities		**2,127.4**	2,027.2

The financial statements on pages 87 to 128 were approved by the Board of Directors on 25 February 2015 and were signed on its behalf by:

Hugo Eales / Chief Financial Officer

Rakesh Bhasin / Chief Executive Officer

The accompanying notes are an integral part of the financial statements.

Consolidated statement of changes in shareholders' equity

	Notes	Ordinary shares No. m	Share capital €m	Share premium €m	Shares to be issued €m	Translation reserves €m	Other reserves €m	Retained earnings €m	Equity attributable to the owners of the Company €m	Non-controlling interest €m	Total equity €m
At 31 December 2012		893.0	446.5	957.8	9.2	(26.9)	(164.9)	265.1	1,486.8	(3.6)	1,483.2
Profit for the year		–	–	–	–	–	–	39.3	39.3	(1.3)	38.0
Remeasurement of net defined benefit obligations[1]	26	–	–	–	–	–	–	3.4	3.4	–	3.4
Exchange loss differences on translation of foreign operations		–	–	–	–	(15.0)	–	–	(15.0)	–	(15.0)
Shares issued in the year	16	1.0	0.5	0.7	(0.9)	–	–	–	0.3	–	0.3
Share plan credit	5	–	–	–	1.2	–	–	–	1.2	–	1.2
Change in proportion held by non-controlling interest	17	–	–	–	–	–	–	(4.9)	(4.9)	4.9	–
At 31 December 2013		894.0	447.0	958.5	9.5	(41.9)	(164.9)	302.9	1,511.1	–	1,511.1
Loss for the year		–	–	–	–	–	–	(28.2)	(28.2)	–	(28.2)
Remeasurement of net defined benefit obligations[1]	26	–	–	–	–	–	–	(2.4)	(2.4)	–	(2.4)
Exchange gain differences on translation of foreign operations		–	–	–	–	38.3	–	–	38.3	–	38.3
Shares issued in the year	16	1.2	0.6	1.0	(1.4)	–	–	–	0.2	–	0.2
Share plan credit	5	–	–	–	0.9	–	–	–	0.9	–	0.9
At 31 December 2014		895.2	447.6	959.5	9.0	(3.6)	(164.9)	272.3	1,519.9	–	1,519.9

[1] Net of tax.

The accompanying notes are an integral part of the financial statements.

Consolidated statement of cash flows

	Notes	Year ended 31 December 2014 €m	2013 €m
Net cash generated from operating activities	20	**246.4**	245.2
Cash flows from investing activities			
Purchase of intangible assets and property, plant and equipment		**(247.1)**	(328.9)
Proceeds from the disposal of intangible assets and property, plant and equipment		**1.6**	2.0
Acquisition of subsidiary, net of cash	12	**(117.3)**	(0.8)
Finance income received		**0.6**	0.4
Net cash used in investing activities		**(362.2)**	(327.3)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**–**	0.3
Finance costs paid		**(4.0)**	(1.5)
Net cash used in financing activities		**(4.0)**	(1.2)
Net movement in cash and cash equivalents		**(119.8)**	(83.3)
Cash and cash equivalents at beginning of year		**195.6**	280.1
Effect of exchange rate changes on cash and cash equivalents		**1.6**	(1.2)
Cash and cash equivalents at end of year	15	**77.4**	195.6

The accompanying notes are an integral part of the financial statements.

Notes to the consolidated financial statements

1 Basis of presentation and principal accounting policies

Colt Group S.A. ('Colt S.A.' or 'the Company'), together with its subsidiaries are referred to as 'the Group'. The Group financial statements consolidate the financial statements of the Company and its subsidiaries as at and for the year ended 31 December 2014 as approved by the Group's Board of Directors on 25 February 2015. Colt Group S.A. is a company domiciled in Luxembourg.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention modified for fair value where required (refer below for details on specific fair value policies applied). The accounting policies set out below have been consistently applied across Group companies to all periods presented in these consolidated financial statements except in relation to the new and amended IFRS standards adopted by the Group in 2014.

Going concern

The Directors believe that they have a reasonable basis for concluding that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

Basis of accounting

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRIC interpretations as endorsed by the EU and in accordance with Luxembourg laws and regulations.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amounts, events or transactions, the actual results ultimately may differ from those estimates.

Basis of consolidation

The consolidated financial statements include those of the Company and all of its subsidiary undertakings. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The Group recognises any non-controlling interest acquired on acquisition of a subsidiary at the proportionate share of the acquired net assets excluding goodwill. Subsequent to acquisition, the carrying amount of the non-controlling interest is the amount of those interests at initial recognition plus the non-controlling share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euros as the Group has a European-domiciled holding company and the Euro is the Group's most significant trading currency.

Transactions denominated in foreign currencies are translated at the exchange rate prevailing at the time of the transaction. Monetary assets and liabilities are translated at the period end rate and any exchange differences are taken to the consolidated income statement. Exchange differences arising from the re-translation of the opening net assets of subsidiaries which are denominated in foreign currencies, and any related long-term loans, together with the differences between income statements translated at average rates and rates ruling at the period end, are taken directly to the translation reserve.

Change in accounting policy and disclosures

New and amended standards adopted by the Group

The following new and amended IFRS standards and IFRIC interpretations have been adopted by the Group but have not had a significant impact on the amounts reported in the financial statements:

- IAS 27 (amended) Separate Financial Statements
- IAS 32 (amended) Financial instruments: Presentation
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of interests in other entities

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early-adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2015 or later periods, but the Group has not early-adopted them:

- IAS 19 (amended) Employee benefits
- IFRS 10 (amended) Consolidated Financial Statements
- IFRS 11 (amended) Joint Arrangements
- IFRS 15 Revenue from contracts with customers

It is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed. The Group does not at this stage expect the adoption of any other standards and amendments to significantly impact the Group's financial statements.

A summary of the more important Group accounting policies is set out below.

Exceptional items

The Group separately identifies and discloses one-off or unusual items (termed 'exceptional items') as disclosed in note 7.

The Board believes this provides meaningful analysis of the trading results of the Group and aids readers' understanding of the impact of such items. Therefore, in the discussion of the Group's results of operations, reference is made to measurements before and after exceptional items. Exceptional items may not be comparable to similarly titled measures used by other companies.

Revenue

Revenue represents amounts earned for services and equipment sales provided to customers (net of value added tax and intra-group revenue). Contracted income invoiced in advance for fixed periods is recognised as revenue in the period of actual service provision. Where the Group acts as an agent in a transaction, it recognises revenue net of directly attributable costs.

Network, Data Centre and IT Services revenues are generally billed in advance, with revenue allocated over the life of the customer contract according to the pattern in which the customer derives the benefits of the service. Installation fees are deferred and recognised in the consolidated income statement over the expected length of the customer relationship period (typically three to five years) or the contractual period, if longer. Voice Services revenue is recognised when Voice traffic is carried over the network based on the fair value of this traffic.

Where a contractual arrangement consists of two or more separate elements that have value to a customer on a standalone basis, revenue is recognised for each element as if it were an individual contract. The total contract consideration is allocated between the separate elements on the basis of relative fair value and the appropriate revenue recognition criteria are applied to each element as described above.

Revenue from the sale of equipment is recognised when all the significant risks and rewards of ownership are transferred to the buyer, which is normally the date the equipment is delivered and accepted by the customer.

Notes to the consolidated financial statements

continued

Cost of sales

Cost of sales includes payments made to other carriers, depreciation of network infrastructure, equipment (including in data centres), direct network costs and construction costs associated with infrastructure sales.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Costs in respect of operating leases are charged on a straight-line basis over the lease term. Operating lease incentives are recognised as a reduction in the rental expense over the lease term.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has obtained substantially all the risks and rewards of ownership are classified as finance leases. Finance lease assets are capitalised at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding liability is recognised as a finance lease liability.

Segmental reporting

The Group is managed around its lines of business: Network Services, Voice Services, Data Centre Services, IT Services and KVH Asia. Colt's lines of business correspond to its reportable segments in line with the information reported to its chief operating decision maker, the Board of Directors.

Line of business EBITDA includes all directly attributable costs and the recharge of shared operating costs from Corporate and Shared Service functions and two sales organisations, Colt Enterprise Services and Colt Communication Services.

A geographical analysis of revenue and non-current assets is disclosed where material.

Business combinations

The Group applies the acquisition method of accounting to account for business combinations in accordance with IFRS 3 (R), 'Business Combinations'. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. All transaction related costs are expensed in the period they are incurred as operating expenses unless costs are of a financing nature. Financing related costs are recorded through finance expenses in the consolidated income statement. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in the income statement in accordance with IAS 39.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is initially measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or group of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill is not amortised but is reviewed for impairment at least annually. Goodwill related to pre-2012 acquisitions was previously fully impaired. In 2012, the Group recognised goodwill related to the ThinkGrid acquisition which was fully impaired during 2014. During 2014 the Group recognised goodwill in relation to the KVH Asia acquisition.

Other intangible assets

Intangible assets purchased separately, such as software that does not form an integral part of related hardware, are capitalised at cost. Amortisation is calculated to write off the cost of intangible fixed assets on a straight-line basis over their expected economic lives which are between three and seven years.

Property, plant and equipment

Property, plant and equipment is recorded at historical cost less accumulated depreciation and any accumulated impairment losses. Network infrastructure and equipment comprises assets purchased and built, at cost, together with capitalised labour which is directly attributable to the cost of construction. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The estimated costs of removing assets are included in the cost of property, plant and equipment. The corresponding obligation is recognised as a provision.

Depreciation is calculated to write off the cost of property, plant and equipment on a straight-line basis over their expected economic lives as follows:

Network infrastructure and equipment (excluding non-depreciable land)	5% – 20% per annum
Office computers, equipment, fixtures and fittings and vehicles	10% – 33% per annum
Non-depreciable land	0% per annum

Depreciation of network infrastructure and equipment commences from the date it becomes operational. The assets' useful lives and residual values are reviewed and adjusted if appropriate at each reporting date.

Impairment

The carrying values of property, plant and equipment and intangible assets other than goodwill are reviewed for impairment only when events indicate that the carrying value may be impaired.

In an impairment test, the recoverable amount of the cash-generating unit or asset is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of fair value less costs to sell and the value in use to the Group. An impairment loss is recognised to the extent that the carrying value exceeds the recoverable amount.

Deferred taxation

Deferred tax is provided on all temporary differences that arise between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base which result in an obligation or right to pay more tax, or a right to pay less tax at a future date, at rates that are expected to apply when the obligation crystallises. Deferred tax arising on temporary differences from investment in subsidiaries are not recognised as the timing of their reversal is controlled by the Group. Deferred tax assets and liabilities are recognised to the extent that it is regarded as probable that they will be realised in the foreseeable future. Factors considered when assessing the recognition of deferred tax assets by jurisdiction include a consistent history of profits as well as future forecast of profits.

Property and asset restoration provisions

The Group provides for obligations relating to excess leased space and reinstatements in its properties, as well as for obligations to remove network assets. The provisions represent the net present value of the future estimated costs, with the unwinding of the discount included within the finance cost for the year.

Restructuring provisions

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring, has a reliable estimate of the cost of the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes the direct expenditures from the restructuring, which are those amounts that are necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Financial instruments

Cash and cash equivalents

For the purpose of preparation of the cash flow statement, cash and cash equivalents includes cash at bank and in hand, and short-term deposits with a maturity period of three months or less. Interest income receivable on cash and cash equivalents is recognised as it is earned.

Notes to the consolidated financial statements

continued

Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business and are initially recognised at fair value less subsequent provision for any impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the income statement. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are initially recognised at fair value and subsequently held at amortised cost. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Employee benefits

Retirement benefit schemes

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relation to the employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Payments to defined contribution retirement benefit schemes are charged to the income statement on an accruals basis in the period in which contributions are payable to the schemes.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method and the key actuarial assumptions at the balance sheet date as set out in the actuarial valuations. Actuarial gains and losses are recognised in full in the period in which they occur in the statement of comprehensive income.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation, as reduced by the fair value of scheme assets. The present value of the defined benefit obligation is determined through consultation with independent actuaries, taking into account current market discount rates, current market values of investments and actual investment returns. The discount rate has been determined by reference to market yields at the end of the reporting period on high quality corporate bonds.

Share-based payments

The Group operates a number of equity and cash settled, shared-based compensation arrangements.

Equity settled arrangements, whereby employees receive remuneration in the form of shares or share options, are recognised as an employee benefit expense in the income statement. The total expense is apportioned over the vesting period of the benefit and is determined by reference to the fair value at the grant date of the shares or share options awarded and the number that are expected to vest. The assumptions underlying the number of awards expected to vest are subsequently adjusted to reflect conditions prevailing at the statement of financial position date. At the vesting date of an award, the cumulative expense is adjusted to take account of the awards that actually vest based on the performance against non-market conditions.

For cash-settled share-based payment arrangements, the services provided or the services received and liability incurred are measured at the fair value of the liability, as the employees render service. Until settlement, the fair value of the liability is remeasured, with changes in fair value recognised in the income statement.

Share capital

Ordinary shares are classified as Equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in Equity as a deduction, net of tax, from proceeds.

Critical accounting policies and judgements

The preparation of the consolidated financial statements under IFRS requires a number of estimates and assumptions to be made. In addition, management is required to exercise its judgement in the process of applying the Group's accounting policies. Management continually evaluates

the estimates, assumptions and judgements based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The Group believes that of its significant accounting policies, the following are considered to be critical to its financial condition and results and involve a significant degree of judgement and complexity.

Impairment

The carrying values of property, plant and equipment and intangible assets other than goodwill, within a cash-generating unit, are reviewed for impairment only when events indicate the carrying value may be impaired. Goodwill is reviewed for impairment at least annually (note 11). Impairment indicators include both internal and external factors. Examples of internal factors include analysing performance against budgets and assessing absolute financial measures for indicators of impairment. Examples of external considerations assessed for indications of impairment include wider economic factors and comparing the Group's market capitalisation to its net assets.

Where impairment indicators are present, the recoverable amounts of assets are measured. Asset recoverability requires assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of uncertain matters. In particular, management has regard to assumptions in respect of revenue mix and growth rates, customer churn, EBITDA margins, timing and amount of capital expenditure, long-term growth rates and the selection of appropriate discount rates.

Revenue recognition

Voice services are generally billed in arrears, and Network, Data Centre and IT Services revenue are generally billed in advance. Voice revenue is recognised when voice traffic is carried over the network. Network, Data Centre and IT Services revenue is allocated over the life of the customer contract according to the pattern in which the customer derives the benefits of the service. Revenue from installation activities is deferred and recognised over the expected length of the customer relationship period (typically three to five years), or the contractual period if longer. Judgement is required in the application of these principles.

Carrier revenue and payments to other operators

When telephony traffic is carried by other operators, the Group incurs interconnect costs. Some interconnect costs are subject to regulation by local regulatory authorities in the countries in which the Group operates. A regulatory determination may give rise to amendments (most often in the form of reductions) to interconnect costs. The changes in regulated interconnect costs may or may not be in line with the change in market selling prices for telephony traffic. Margins may therefore be eroded where selling prices fall faster than regulated interconnect costs.

The Group reviews its interconnect costs on a regular basis and adjusts the rate at which these costs are charged in the income statement in accordance with the estimated interconnect costs for the current period. The prices at which these services are charged are often regulated and can be subject to retrospective adjustment. Estimates are used in assessing the likely impact of these retrospective adjustments.

Property, plant and equipment

Property, plant and equipment is recorded at historical cost less accumulated depreciation and any accumulated impairment losses. Network infrastructure and equipment comprises assets purchased and built, at cost, together with capitalised labour, directly attributable to the cost of construction. Colt's network assets are long-lived, with cables and switching equipment operating for between five and twenty years. The annual depreciation charge is sensitive to the estimated service life allocated to each asset type. The Group reviews asset lives annually and changes them when it is considered necessary to reflect its current estimates of its remaining lives in light of changes in technology, the actual condition and expected utilisation of the assets concerned.

Deferred tax assets

The Group operates in a large number of different tax jurisdictions. Deferred tax assets require management judgement in determining the amounts to be recognised. In particular, significant judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income, time limits on the availability of taxable losses for carry forward together with any future tax planning strategies. If the future earnings were to vary by 10% from the forecast taxable income, this would lead to a similar level of movement on the amount of deferred tax recognised in the statement of financial position.

Receivables and provisions for doubtful debts

The Group performs ongoing reviews of the bad debt risk within its receivables and makes provisions to reflect its views of the financial condition of its customers and their ability to pay in full for amounts owing for services provided. The expense associated with these provisions for bad debts are recorded in cost of sales. Estimates based on historical and current experience are used in determining the level of debts that are not expected to be collected.

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Provisions

The Group's provisions for property, asset restoration, restructuring costs and legal claims are established based on its best estimate at the statement of financial position date of the amounts necessary to settle existing obligations or commitments as of each statement of financial position date.

2 Segmental reporting

Operating segments

From the first half of 2014, the Group has been managed around its four new lines of business: Network Services, Voice Services, Data Centre Services and IT Services. Colt's four lines of business correspond to its reportable segments in line with the information reported to its chief operating decision maker, the Board of Directors. Financial information for these reportable segments has been restated for the comparative year. Additionally, from the date of acquisition on 22 December 2014, KVH Asia has also been reported internally as a separate segment and has therefore been disclosed as a reportable segment below.

Network Services revenue includes managed networking and bandwidth services. Voice Services revenue comprises services including the transmission of voice, data or video through a switching centre and voice traffic which is delivered in a digital form (IP Voice). Data Centre Services incorporates retail and wholesale colocation and sales of our modular data centres. IT Services includes hosting, storage and cloud network services. The line of business revenue includes internal revenue which represents recharges between the lines of business.

The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as EBITDA in Colt's management reporting system. EBITDA is profit before net finance costs and related foreign exchange, tax, depreciation, amortisation and exceptional items. Line of business EBITDA includes all directly attributable costs and the recharge of shared operating costs from Corporate and Shared Services functions and two sales organisations, Colt Enterprise Services and Colt Communication Services. The bases used to recharge these costs may be further refined in the future.

Assets and liabilities are not reported by segment to the chief operating decision maker and therefore are not disclosed in this note. Acquisition of non-current assets net of disposals and depreciation are disclosed by segment in line with the information reported to the chief operating decision maker.

The Group has a large customer base and no undue reliance on any one major customer and therefore no such related revenue is required to be disclosed by IFRS 8. The accounting policies adopted by each segment are described in note 1.

Year ended 31 December 2014	Network Services €m	Voice Services €m	Data Centre Services €m	IT Services €m	KVH Asia €m	Unallocated and eliminations €m	Consolidated €m
Revenue							
External revenue	841.5	452.1	120.2	77.8	3.9	–	1,495.5
Intersegment revenue	7.3	–	9.4	–	–	(16.7)	–
Total segment revenue	848.8	452.1	129.6	77.8	3.9	(16.7)	1,495.5
Result							
EBITDA	234.8	60.3	27.4	(25.8)	0.4	–	297.1
Depreciation and amortisation	(212.6)	(17.7)	(17.5)	(27.3)	(1.0)	–	(276.1)
Exceptional items (note 7)	(8.3)	(6.9)	(3.4)	(26.9)	(0.6)	–	(46.1)
Operating loss							(25.1)
Finance income							0.6
Finance costs							(5.3)
Net foreign exchange gain arising on financing activities							6.7
Loss before taxation							(23.1)
Taxation							(5.1)
Loss for the year							(28.2)
Other segment items							
Acquisition of non-current assets*	164.6	11.7	29.2	24.9	–	–	230.4

Year ended 31 December 2013 Restated**	Network Services €m	Voice Services €m	Data Centre Services €m	IT Services €m	KVH Asia €m	Unallocated and eliminations €m	Consolidated €m
Revenue							
External revenue	831.3	553.5	111.3	79.7	–	–	1,575.8
Intersegment revenue	7.4	–	8.9	–	–	(16.3)	–
Total segment revenue	838.7	553.5	120.2	79.7	–	(16.3)	1,575.8
Result							
EBITDA	249.8	64.2	25.7	(19.6)	–	–	320.1
Depreciation and amortisation	(219.1)	(19.7)	(19.2)	(22.7)	–	–	(280.7)
Operating profit							39.4
Finance income							0.4
Finance costs							(0.7)
Net foreign exchange gain arising on financing activities							3.3
Profit before taxation							42.4
Taxation							(4.4)
Profit for the year							38.0
Other segment items							
Acquisition of non-current assets*	206.6	26.6	43.1	55.8	–	–	332.1

* Net of disposals

** The 2013 numbers have been restated to reflect the new line of business reportable segments

Geographical information

The Group has material revenue and assets in a number of countries, including the UK, Germany, France, Spain, Italy, Switzerland and Japan. There is no material revenue or assets in the Company's country of domicile, Luxembourg. Revenue by country is disclosed based on amounts invoiced and accrued. Inter-geographical revenue transactions are carried out at an arm's length price.

The information in the table below is based on the location of the assets which is not materially different from the location of the customer.

	Revenue		Total non-current assets excluding deferred tax assets	
	2014 €m	2013 €m	**2014 €m**	2013 €m
UK	**401.1**	412.7	**596.6**	572.8
Germany	**319.6**	343.5	**272.7**	289.8
France	**211.7**	215.8	**151.1**	152.6
Spain	**128.3**	149.4	**107.0**	107.3
Italy	**110.8**	121.8	**51.4**	52.9
Switzerland	**92.7**	95.6	**68.7**	71.0
Japan	**3.9**	–	**138.2**	–
Other	**227.4**	237.0	**300.6**	250.1
	1,495.5	1,575.8	**1,686.3**	1,496.5

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3 (Loss) profit before taxation

The following items have been included in arriving at the (loss) profit before taxation:

	Year ended 31 December 2014 €m	2013 €m
Staff costs (note 5)	**316.9**	303.6
Network depreciation and amortisation:		
Property, plant and equipment (note 11)	**217.5**	232.7
Other depreciation and amortisation:		
Intangible assets (note 10)	**46.3**	35.8
Property, plant and equipment (note 11)	**12.3**	12.2
Impairment:		
Intangible assets (note 10)	**15.0**	–
Receivables provision charge (note 14)	**5.0**	5.6
Other operating lease rentals payable:		
Property	**35.6**	30.8
Plant and equipment	**177.4**	181.8
Net foreign exchange gains arising on financing activities	**(6.7)**	(3.3)

Services provided by the Group's auditor and network of firms:

	Year ended 31 December 2014 €m	2013 €m
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements:	**0.1**	0.1
Fees payable to the Company's auditors and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	**1.6**	1.6
Corporate finance services	**0.1**	–
Tax services	**0.1**	0.1
	1.9	1.8

4 Key management personnel compensation

	Year ended 31 December 2014 €m	2013 €m
Salaries and short-term benefits	**2.5**	2.8
Share-based payments	**0.9**	0.8
	3.4	3.6

Key management personnel are defined as the Directors of the company. Further details on Directors' emoluments are set out in the Audited Information in the Directors' Remuneration Report on pages 75 to 79 which forms part of these financial statements (incorporated by cross reference).

5 Employee information

Average monthly number of people (including Directors) employed by the Group:

	Year ended 31 December 2014	2013 Restated
By reportable segment:		
Network Services	**2,823**	2,828
Voice Services	**1,071**	1,073
Data Centre Services	**407**	408
IT Services	**728**	730
KVH Asia*	**409**	–
	5,438	5,039

* Average number of employees for the full year.

Reportable segment employee numbers include an allocation of Corporate and Shares Services employees.

	Year ended 31 December 2014	2013
By geography:		
Europe	**3,572**	3,581
India	**1,429**	1,429
Rest of World	**437**	29
	5,438	5,039

	Year ended 31 December 2014 €m	2013 €m
Employee costs (for the above persons):		
Wages and salaries*	**295.8**	286.0
Share option charge	**0.9**	1.2
Social security costs	**50.1**	47.6
Pension costs (note 26)	**22.7**	22.6
	369.5	357.4
Less: employee costs capitalised	**(52.6)**	(53.8)
	316.9	303.6

* Wages and salaries included €2.0m in 2014 (2013: €3.1m) of costs related to cash-settled share-based payment arrangements (refer to note 16 for further details of these arrangements).

Capitalised employee costs are included in additions within the appropriate non-current asset category.

6 Net finance income (costs)

	Year ended 31 December 2014 €m	2013 €m
Interest income on short-term bank deposits	**0.6**	0.4
Finance income	**0.6**	0.4
Discount unwind on property provisions (note 19)	**(1.1)**	0.9
Other finance costs	**(4.2)**	(1.6)
Finance costs	**(5.3)**	(0.7)
	(4.7)	(0.3)

There was an unwind benefit in finance costs during 2013 due to a revision in the ageing of the provisions related to the Group's properties.

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7 Exceptional items

In 2014, the Group recognised €46.1m of exceptional expenses in relation to the restructuring programme (€31.1m) and a non-cash impairment expense within our IT Services line of business (€15.0m). Of the €31.1m restructuring expenses, €7.8m was recognised in cost of sales and the remaining €23.3m in operating expenses. The €15.0m impairment expense was recognised in operating expenses.

During April 2014, Colt announced a reorganisation of its business to align cost centres and improve profitability resulting in workforce restructuring actions. The Company incurred an exceptional expense of €31.1m in 2014 associated with the costs of implementing these plans. Of the €22.3m restructuring cash payments (see note 20) made during the year, €14.8m were made in relation to the above restructuring announced in 2014, with the balance related to the restructuring programme commenced at the end of 2012.

The establishment of the lines of business segments in 2014 has facilitated an alignment of our IT Services product portfolio with customer demand for cloud based services in addition to rationalising our cost structure to improve profitability. As a result of the portfolio realignment, which is focused on growth areas in both the enterprise and service provider space, we have reviewed the carrying values of non-current assets in the IT Services cash-generating unit and recorded a non-cash impairment expense in the amount of €15.0m in 2014. This expense has been treated as an exceptional item.

There were no exceptional items in 2013.

8 Taxation

The Group tax expense during the year was as follows:

	Year ended 31 December	
	2014	2013
	€m	€m
Current tax expense		
Domestic tax		
Current year	**(0.3)**	(0.1)
Adjustments in respect of prior years	**–**	(0.4)
Overseas tax		
Current year	**(5.2)**	(7.0)
Adjustments in respect or prior years	**0.3**	0.6
Total current tax expense	**(5.2)**	(6.9)
Deferred tax credit (note 13)		
Origination and reversal of temporary differences	**0.1**	2.5
Total deferred tax credit	**0.1**	2.5
Total tax expense	**(5.1)**	(4.4)

The difference between the actual tax expense computed using a weighted average tax rate and the tax expense computed on accounting (loss) profit can be explained as follows:

	Year ended 31 December 2014 €m	2013 €m
(Loss) profit before tax	**(23.1)**	42.4
Tax calculated at domestic tax rates applicable to profits (losses) in the respective countries	**(5.5)**	16.7
Non-deductible expenses	**19.4**	20.1
Non-taxable income	**(53.8)**	(62.6)
Utilisation of previously unrecognised tax losses	**(1.0)**	(0.4)
Adjustments in respect of prior years	**(0.3)**	(0.2)
Recognition of deferred tax assets previously unrecognised	**(0.1)**	(4.9)
Effect of changes in tax rates on opening deferred tax asset	**–**	2.4
Temporary differences for which no deferred income tax asset was recognised	**46.4**	33.3
Total tax expense	**5.1**	4.4

The weighted average applicable tax rate is 23.8% (2013: 39.4%). The movement is caused by a change in the relative accounting profits and losses of the Group's subsidiaries in the respective countries.

The tax credit relating to components of other comprehensive income is as follows:

	2014			2013		
	Before tax €m	**Tax expense €m**	**After tax €m**	Before tax €m	Tax credit €m	After tax €m
Actuarial gain (loss) on retirement benefit obligations	**(2.4)**	**–**	**(2.4)**	3.6	(0.2)	3.4
Exchange loss differences on translation of foreign operations	**36.5**	**1.8**	**38.3**	(14.3)	(0.7)	(15.0)
Other comprehensive loss	**34.1**	**1.8**	**35.9**	(10.7)	(0.9)	(11.6)

9 Earnings per share

Basic earnings per share is based upon the profit after tax for each year and the weighted average number of ordinary shares in issue in the year.

	Year ended 31 December 2014	2013
Basic weighted average number of ordinary shares (m)	**894.9**	893.7
Dilutive ordinary shares from share options (m)*	**3.1**	4.3
Diluted weighted average number of ordinary shares (m)	**898.0**	898.0
Before exceptional items		
Profit for the year before exceptional items (€m)	**17.9**	39.3
Basic earnings per share	**€0.02**	€0.04
Diluted earnings per share	**€0.02**	€0.04
After exceptional items		
(Loss) profit for the year after exceptional items (€m)	**(28.2)**	39.3
Basic (loss) earnings per share	**(€0.03)**	€0.04
Diluted (loss) earnings per share	**(€0.03)**	€0.04

* Dilutive earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

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10 Intangible assets

	Goodwill €m	Software and other assets €m	Total €m
Cost			
At 1 January 2013	44.1	518.1	562.2
Additions	–	56.5	56.5
Disposals	–	(2.4)	(2.4)
Exchange differences	–	(7.7)	(7.7)
At 31 December 2013	44.1	564.5	608.6
Additions	–	31.7	31.7
Acquisition of subsidiary (see note 12)	65.7	4.1	69.8
Exchange differences	–	31.5	31.5
At 31 December 2014	**109.8**	**631.8**	**741.6**
Accumulated amortisation			
At 1 January 2013	30.5	368.2	398.7
Charge for the year	–	35.8	35.8
Disposals	–	(2.4)	(2.4)
Exchange differences	–	(3.9)	(3.9)
At 31 December 2013	30.5	397.7	428.2
Charge for the year	–	46.3	46.3
Impairment	13.6	1.4	15.0
Exchange differences	–	21.1	21.1
At 31 December 2014	**44.1**	**466.5**	**510.6**
Net book value			
At 1 January 2013	13.6	149.9	163.5
At 31 December 2013	13.6	166.8	180.4
At 31 December 2014	**65.7**	**165.3**	**231.0**

All of the Group's remaining net book value of goodwill relates to the 2014 acquisition of KVH Asia which provides a variety of services consistent with Colt's.

The Group tests goodwill annually for impairment or more frequently if there are any indications that goodwill might be impaired. During 2014 an impairment review was performed of the IT Services business resulting in an impairment of €15.0m which has been allocated to the IT Services goodwill (€13.6m) and other intangibles (€1.4m).

Goodwill allocation

The table below summarises the allocation of goodwill by segment:

	At 1 January 2014 €m	Additions €m	Impairment €m	At 31 December 2014 €m
IT Services	13.6	–	(13.6)	–
KVH Asia	–	65.7	–	65.7

11 Property, plant and equipment

	Network infrastructure and equipment €m	Office computers, equipment, fixtures, fittings and vehicles €m	Total €m
Cost			
At 1 January 2013	5,453.5	263.1	5,716.6
Additions	231.9	44.8	276.7
Disposals	(3.8)	(4.3)	(8.1)
Exchange differences	(35.9)	(1.8)	(37.7)
At 31 December 2013	5,645.7	301.8	5,947.5
Additions	190.3	14.7	205.0
Acquisition of subsidiary (note 12)	132.2	2.6	134.8
Disposals	(7.4)	(1.3)	(8.7)
Exchange differences	101.6	12.3	113.9
At 31 December 2014	**6,062.4**	**330.1**	**6,392.5**
Accumulated depreciation			
At 1 January 2013	4,196.3	225.5	4,421.8
Charge for the year	232.7	12.2	244.9
Disposals	(2.8)	(4.2)	(7.0)
Exchange differences	(23.8)	(4.5)	(28.3)
At 31 December 2013	4,402.4	229.0	4,631.4
Charge for the year	217.5	12.3	229.8
Disposals	(1.1)	(1.3)	(2.4)
Exchange differences	70.2	8.2	78.4
At 31 December 2014	**4,689.0**	**248.2**	**4,937.2**
Net book value			
At 1 January 2013	1,257.2	37.6	1,294.8
At 31 December 2013	1,243.3	72.8	1,316.1
At 31 December 2014	**1,373.4**	**81.9**	**1,455.3**

Included in property, plant and equipment at 31 December 2014 are payments on account and assets under construction of €113.9m (2013: €121.6m) and land and buildings at a cost of €150.0m (2013: €108.4m).

Network infrastructure and equipment include the following amounts where the Group is a lessee under a finance lease (see note 23):

	2014 €m
Cost-capitalised finance lease	**40.9**
Net book value	**40.9**

The Group leases a building under a non-cancellable finance lease agreement. The lease term is 15 years, and ownership of the asset lies outside of the Group, with the lessor.

Impairment review

Until the start of 2014 Colt operated as one CGU as all business units used a shared network to generate cash inflows. During 2014, Colt restructured its business into four separately reportable segments (being Network Services, Voice Services, Data Centre Services and IT Services), with the results of each reportable segment reported to the Chief Operating Decision Maker ("CODM"), in Colt's case this is the Board of Directors (the "Board"), on a monthly basis. Management has determined that each reportable segment is a separate cash generating unit (CGU) under IAS 36 – Impairment of Assets. Management concluded that the reportable segments constitute the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets and to which goodwill is allocated.

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IAS 36 requires an entity to review for indicators of impairment in relation to intangible assets and property, plant and equipment. During Q4 2014 Colt's consolidated net asset carrying value periodically exceeded its market capitalisation. This represented an impairment indicator and an impairment review of the assets held by all CGUs was performed.

Recoverable amount

The value in use for each CGU was determined using cash flow forecasts derived from the Group's most recent budget approved by the Board, covering a five-year period. The forecasts were adjusted for IAS 36 requirements (which require the impact of investment programmes on future growth to be disregarded within the calculation) and are also adjusted downwards for risk factors affecting each CGU.

Cash flows beyond the five-year period are based on perpetuity growth rates. These perpetuity growth rates did not exceed the long term growth rates of the European markets in which each CGU operates.

Pre-tax discount rates used in the cash flow forecasts were calculated for each segment based on the post-tax weighted average cost of capital, benchmarked to externally available data.

Impairment forecast assumptions

The cash flow forecasts are sensitive to changes in key assumptions, including those relating to revenue growth and EBITDA margins. The models are also sensitive to changes in capital expenditure and discount rates. Forecast assumptions take account of factors specific to each CGU. Key assumptions are benchmarked against historical and external data where available. These key assumptions are as follows:

	Network Services	Voice Services	Data Centre Services	IT Services
Average EBITDA margin over the initial 5 year term	28.0%	11.1%	27.4%	10.2%
Perpetuity growth rate	0.5%	-6.0%	2.0%	2.0%
Pre-tax discount rate	9.4%	8.3%	9.2%	12.1%

The above assumptions resulted in headroom for all CGUs except IT Services. An impairment charge of €15.0m was recorded against the IT Services CGU during Q3 2014 (see note 7) based on a recoverable amount of €85.3m. In accordance with IAS 36, the impairment charge was first allocated against the goodwill allocated to the CGU (see note 10) with the remaining charge recorded against the remaining assets.

Sensitivities

The following changes in individual sensitivities compared to the metrics in the table above would result in the headroom in each CGU being reduced to €nil (excluding IT Services which has no headroom):

	Network Services	Voice Services	Data Centre Services
EBITDA margin	0.5% lower	3.7% lower	2.2% lower
Perpetuity growth rate	0.6% lower	n/a*	1.0% lower
Discount rate	0.4% higher	n/a*	0.7% higher

* No reasonably possible sensitivity would result in the headroom being reduced to €nil.

Any further reduction in the value in use of the IT Services CGU would result in an impairment.

KVH Asia Limited

The carrying values of the intangible assets and property, plant and equipment in relation to the KVH Asia segment (including goodwill of €65.7m, see note 10) are supported by the fair value less costs of disposal of the business, as represented by the valuation model that determined the purchase price paid by Colt for the business on 22 December 2014.

12 Acquisition of subsidiaries

MarketPrizm

In June 2013, the Group acquired the remaining 19.9% interest of MarketPrizm Group S.á.r.l. for a purchase consideration of €1. In accordance with IFRS 10 the €4.9m of non-controlling interest at acquisition was reclassified to equity.

KVH Asia Limited

On 22 December 2014, the Group acquired 100% of the share capital of KVH Asia Limited for €128.0m cash consideration and obtained control of this company and its wholly owned subsidiaries. The provisional goodwill of €65.7m arising from the acquisition is attributable to the acquired customer base and cost synergies expected from combining the operations of both groups. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for KVH Asia Limited, the provisional fair value of assets acquired and liabilities assumed at the acquisition date.

Recognised amounts of identifiable assets acquired and liabilities assumed	**€m**
Cash and cash equivalents (note 21)	10.7
Property, plant and equipment (note 11)	134.8
Intangible assets (note 10)	4.1
Trade and other receivables	46.1
Trade and other payables	(49.2)
Retirement benefit obligations:	
– Pensions (note 26)	(15.2)
Finance lease liabilities (note 23)	(40.9)
Property and asset retirement provisions (note 19)	(28.1)
Total identifiable net assets	**62.3**
Goodwill (note 10)	65.7
Total consideration	**128.0**

Net cash outflow arising on acquisition	**€m**
Cash consideration	128.0
Less: cash and cash equivalent balances acquired	(10.7)
Acquisition of subsidiary net of cash	**117.3**

No contingent consideration is payable in relation to the deal.

Acquisition-related costs of €2.9m have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2014. The fair value of trade and other receivables is €46.1m and includes trade receivables with a fair value of €25.8m. The gross contractual amount for trade receivables due is €25.9m, of which €0.1m is expected to be uncollectable.

The provisional fair value of the acquired identifiable intangible assets of €4.1m (including trademarks and licences) is provisional pending receipt of the final valuations for those assets.

The revenue included in the consolidated statement of comprehensive income since 22 December 2014 contributed by KVH Asia Group was €3.9m. KVH Asia Group recognised a loss of €1.3m over the same period.

Had KVH Asia Group been consolidated from 1 January 2014, the consolidated income statement would show pro-forma revenue of €1,629.7m and loss after tax of €35.9m.

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13 Deferred tax assets (liabilities)

	Year ended 31 December 2014 €m	2013 €m
Deferred tax assets	**61.3**	59.5
Deferred tax liabilities	**–**	(0.1)
Total deferred tax	**61.3**	59.4

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The above analysis is the analysis of the deferred tax balances (after offset) for financial reporting purposes.

The recognised deferred tax assets are as follows:

	Capital allowances less depreciation €m	Tax losses – without time limits €m	Retirement benefits €m	Other timing differences[1] €m	Total €m
At 1 January 2013	31.6	16.3	0.8	10.1	58.8
Income statement (charge) credit*	(1.9)	3.2	–	0.3	1.6
Tax credit relating to components of other comprehensive income (note 8)	(0.6)	–	(0.2)	(0.1)	(0.9)
At 1 January 2014	**29.1**	**19.5**	**0.6**	**10.3**	**59.5**
Income statement (charge) credit*	**–**	**–**	**–**	**–**	**–**
Tax credit relating to components of other comprehensive income (note 8)	**1.5**	**(0.1)**	**–**	**0.4**	**1.8**
At 31 December 2014	**30.6**	**19.4**	**0.6**	**10.7**	**61.3**

* Excluding movement in relation to deferred tax liability.

[1] Included within other timing differences at 31 December 2014 is €5.6m (2013: €8.0m) in respect of tax deductible goodwill.

The Group continued to recognise a deferred tax asset in its financial statements because it is probable that future taxable income will arise to utilise the tax asset. The subsidiaries for which an asset is recognised have also demonstrated the required consistent history of profits as well as future forecasts of profits.

The Group has recognised a deferred tax asset of €61.3m as at 31 December 2014 (2013: €59.5m). As at 31 December 2014, the Group has net tax losses and other tax attributes of €890.8m (2013: €805.1m) for which no deferred tax asset has been recognised. Of the total deferred tax recognised at 31 December 2014, €20.4m (2013: €19.8m) is expected to be utilised in less than one year and €40.9m (2013: €39.7m) in more than one year. The estimated deferred tax liabilities to materialise within 12 months are €nil (2013: €0.1m).

At 31 December 2014, gross tax losses carried forward amounted to €2,887.2m (2013: €2,670.2m), of which €2,698.0m (2013: €2,542.8m) are not time limited and €189.2m (2013: €127.4m) are time limited. The majority of the time limited losses will expire in 2026. All losses must be utilised in the country in which they arose. They remain subject to legislative provisions and to agreement with the various tax authorities in jurisdictions in which the Group operates.

At 31 December 2014 the Group also had other timing differences of €1,117.0m (2013: €985.3m), the majority of which have arisen as a result of the carrying value of fixed assets being higher for tax purposes than their value in the accounts.

Deferred tax assets are not recognised where their recovery is not deemed to be probable in the foreseeable future. The major components of the deferred tax asset not recognised are as follows:

	At 31 December 2014 €m	2013 €m
Capital allowances less depreciation	**190.6**	176.0
Short-term temporary differences	**85.2**	63.3
Potential deferred tax asset	**275.8**	239.3
Tax value of losses		
Losses – without time limits	**565.4**	534.6
Losses – time expiring (within 13 years)	**49.6**	31.2
Total potential deferred tax asset after addition of losses	**890.8**	805.1

Legislation enacted in several countries in which the Group operates will affect the tax rate expected to apply when the deferred tax asset or liability in that country is settled. It is not practical to estimate the financial effect the changes will have on the amount of deferred tax recognised.

14 Trade and other receivables

	At 31 December 2014 €m	2013 €m
Amounts falling due within one year:		
Trade receivables	**233.9**	237.0
Provision against doubtful debts	**(22.6)**	(25.3)
Trade receivables – net	**211.3**	211.7
Other receivables	**33.9**	14.6
Prepayments and accrued income	**48.2**	35.6
VAT recoverable	**9.0**	13.7
	302.4	275.6

The Group has a variety of credit terms depending on the individual arrangements with each customer. The Group has provided against all receivables based on an assessment of their recoverability. In most instances, Colt does not renegotiate credit terms.

The fair value of trade receivables as at 31 December 2014 is not materially different to the carrying value.

Trade receivables with a gross value of €30.5m (2013: €39.5m) are individually determined to be partly or fully impaired as at the end of the reporting year.

	At 31 December 2014 €m	2013 €m
Movement in the allowance for doubtful debts:		
Balance at the beginning of the year	**(25.3)**	(27.6)
Receivables written off during the year as uncollectable, which were previously provided for	**8.1**	7.9
Amounts recovered during the year	**5.7**	5.5
Provided during the year	**(10.7)**	(11.1)
Exchange differences	**(0.4)**	—
Balance at the end of the year	**(22.6)**	(25.3)

In determining the recoverability of the trade receivables the Group considers any changes in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being distributed over many customers, in different countries and in different industries.

Aged analysis of trade receivables

As of 31 December 2014, trade receivables of €50.5m (2013: €41.0m) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

		Past due and not impaired		
	Neither past due nor impaired €m	Between 0 and 90 days past due €m	More than 90 days past due €m	Total €m
Trade receivables at 31 December 2014	**160.8**	**44.7**	**5.8**	**211.3**
Trade receivables at 31 December 2013	170.7	33.3	7.7	211.7

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Trade receivables neither past due nor impaired by segment:

	At 31 December 2014 €m	2013 Restated €m
Network Services	**81.4**	90.0
Voice Services	**43.8**	60.0
Data Centre Services	**11.6**	12.1
IT Services	**7.5**	8.6
KVH Asia	**16.5**	–
Total	**160.8**	170.7

When considering the credit quality of trade receivables neither past due nor impaired the Group considers a number of factors. The Group has a broad and varied customer base which serves to diversify credit risk. Accordingly, disclosure of these receivables by segment is considered the most appropriate disclosure of credit risk. In order to manage credit risk and mitigate the risk of bad debts the Group has a number of controls within its credit control function. These controls include setting credit limits, proactively monitoring and pursuing overdue balances and discontinuing customer services where payment has not been received. These controls have resulted in limiting write-offs for uncollectable accounts to less than 0.5% of revenue over the three-year period 2012–2014. Accordingly, there are no indications as of the reporting date that the Group's trade receivables neither past due nor impaired will not be materially collectable.

Currency profile of trade and other receivables

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	At 31 December 2014 €m	2013 €m
Euro	**169.6**	182.2
Sterling	**65.8**	71.3
Swiss Franc	**10.5**	11.6
Yen	**40.1**	–
Other	**16.4**	10.5
	302.4	275.6

15 Cash and cash equivalents

	At 31 December 2014 €m	2013 €m
Cash at bank and in hand	**37.0**	36.8
Short-term bank deposits	**40.4**	158.8
	77.4	195.6

Cash at bank and in hand and short-term bank deposits comprises funds which the Group can access without restriction within a maximum of three months. During 2014, the effective interest rate on short-term deposits was 0.1% (2013: 0.1%) and at 31 December 2014 these deposits had an average maturity of 1 working day (2013: 2.1 working days).

16 Changes in shareholders' equity

Share capital

The authorised share capital at 31 December 2014 consisted of 2,500,000,000 ordinary shares with a nominal value of €0.50, of which 895,174,323 (2013: 894,025,749) had been issued and were fully paid-up. All shares have the same rights and entitlements.

Shares to be issued reserve

The shares to be issued reserve of €9.0m (2013: €9.5m) represents shares to be issued under the various share option plans operated by the Group.

Other reserves

Other reserves totalling €164.9m (2013: €164.9m) includes the other distributable reserve, the special reserve, the reverse acquisition reserve and the merger reserve:

i) Other distributable reserve

In 2009 a reduction in nominal value of the ordinary shares resulted in a reserve of €510.4m.

ii) Special reserve

On 30 June 2006 Colt Group S.A. became the holding company of Colt Telecom Group plc (currently Colt Technology Services Group Limited) under the terms of a Scheme of Arrangement (the "Scheme") approved by Colt Telecom Group plc shareholders.

The former Colt Telecom Group plc shareholders were issued new shares in Colt Group S.A. on a one-for-three basis under the terms of the Scheme. Immediately preceding the Scheme, the shareholders of Colt Telecom Group plc had approved a capital reduction which reduced share premium by €2.9bn and reduced retained losses by €2.8bn. The excess of share premium over retained earnings at that date of €60.9m was transferred to a "special reserve" in the accounts of Colt Telecom Group plc which is not distributable to shareholders.

iii) Reverse acquisition reserve

Immediately following the approval of the Scheme, the former shareholders of Colt Telecom Group plc held the same economic interest in Colt Group S.A. as they held in Colt Telecom Group plc immediately prior to its implementation.

Accordingly, the acquisition of Colt Telecom Group plc via the Scheme was accounted for as a reverse acquisition under IFRS 3 "Business Combinations". For accounting purposes in a reverse acquisition, the acquirer (Colt Telecom Group plc) is the entity whose equity interests have been acquired and the issuing entity (Colt Group S.A.) is the acquiree. The effect of this is that the financial statements of the combined Group represent a continuation of Colt Telecom Group plc's financial statements. The assets and liabilities of Colt Telecom Group plc were recognised and measured in these financial statements at their pre-combination carrying amounts. The consolidated accumulated losses and other reserves of the combined Group were based on the amount of Colt Telecom Group plc's pre-combination "total equity".

The fair value of the consideration for the business combination, calculated in accordance with IFRS 3 "Business Combinations" was €nil. The fair value of the net assets and liabilities of Colt Group S.A. acquired by Colt Telecom Group plc was €nil. Therefore, no goodwill was recognised. As a result of the combination, a reverse acquisition reserve of negative €774.5m was created. This has been classified as part of "other reserves" within equity.

iv) Merger reserve

Merger reserves totalling €38.3m were recognised between 1997 and 2001.

Group Share Plan ("Option Plan")

Options were granted at an option price which was not less than the market value of the ordinary shares on the date of grant. All option awards since July 2003 have been subject to performance conditions. Most of the awards lapsed as the performance conditions were not achieved.

Details of grants made under the Option Plan are set out below:

Date of grant	Exercise price (£)	Dates of vesting	Date of expiration	Options granted	Outstanding at 31 Dec 2013	Granted in the year	Exercised in the year	Lapsed in the year	**Outstanding at 31 Dec 2014**
May 04	2.31	May 07 to May 09	May 14	166,666	166,666	–	–	(166,666)	**–**
Mar 06	2.19	Mar 09 to Mar 11	Mar 16	13,333	6,133	–	–	–	**6,133**
					172,799	–	–	(166,666)	**6,133**
Weighted average exercise price of options					2.31	–	–	2.31	**2.19**

Share options with an exercise price of £2.19 were outstanding at the end of the year, with a weighted average remaining option life of 1.2 years.

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Share Grant Plan

The Share Grant Plan provides for awards to be made over Company shares. Awards made to Executive Committee members are equity-settled, while awards made to other senior employees of Colt are cash-settled. These awards are aimed at attracting and retaining senior employees. Subject to meeting performance conditions which are challenging and reflect a real and meaningful improvement in performance, awards ordinarily vest three years after the date of grant.

Details of equity-settled grants made under the Share Grant Plan are set out below:

Date of grant	Date of vesting	Number granted	Outstanding at 31 Dec 2013	Granted in the year	Exercised in the year	Lapsed in the year	**Outstanding at 31 Dec 2014**
July 2011	March 2014	2,562,151	1,790,354	–	(984,695)	(805,659)	**–**
February 2012	March 2015	3,078,704	2,250,312	–	–	(528,069)	**1,722,243**
March 2013	March 2016	2,637,917	2,185,917	–	–	(998,066)	**1,187,851**
August 2014	March 2017	2,190,734	–	2,190,734	–	(642,235)	**1,548,499**
November 2014	March 2017	239,323	–	239,323	–	–	**239,323**
		10,708,829	6,226,583	2,430,057	(984,695)	(2,974,029)	**4,697,916**

Details of cash-settled grants made under the Share Grant Plan are set out below:

Date of grant	Date of vesting	Number granted	Outstanding at 31 Dec 2013	Granted in the year	Exercised in the year	Lapsed in the year	**Outstanding at 31 Dec 2014**
July 2011	March 2014	4,674,462	3,451,985	–	(1,774,225)	(1,677,760)	**–**
February 2012	March 2015	6,032,238	4,463,419	–	–	(911,872)	**3,551,547**
March 2013	March 2016	4,422,377	3,895,898	–	–	(826,369)	**3,069,529**
October 2014	March 2017	3,436,995	–	3,436,995	–	(39,928)	**3,397,067**
		18,566,072	11,811,302	3,436,995	(1,774,225)	(3,455,929)	**10,018,143**

A liability of €6.6m (2013: €8.5m) was recognised in respect of cash-settled awards, €2.5m has been included within current trade and other payables (note 18) and €4.1m has been included within other payables in non-current liabilities.

Since May 2013, additional equity-settled awards have been made to the Executive Committee members. The number of shares to vest is dependent on the level of total shareholder return growth generated on the Company's shares over the three year period commencing after the grant date. This award has been designed to incentivise the management team to carry out Colt's growth strategy.

Date of grant	Date of vesting	Number granted	Outstanding at 31 Dec 2013	Granted in the year	Exercised in the year	Lapsed in the year	**Outstanding at 31 Dec 2014**
May 2013	various[1]	2,634,605	2,257,450	–	–	(875,212)	**1,382,238**
August 2014	various[2]	2,128,495	–	2,128,495	–	(642,235)	**1,486,260**
November 2014	various[3]	239,323	–	239,323	–	–	**239,323**
		5,002,423	2,257,450	2,367,818	–	(1,517,447)	**3,107,821**

[1] The plan's shares vest in three tranches: one-third in May 2016, one-third in May 2017 and one-third in May 2018.

[2] The plan's shares vest in three tranches: one-third in August 2017, one-third in August 2018 and one-third in August 2019.

[3] The plan's shares vest in three tranches: one-third in November 2017, one-third in November 2018 and one-third in November 2019.

The fair value of the options at the grant date was assessed using the Monte Carlo simulation model. The following assumptions were used in this model:

	November 2014	**August 2014**	**May 2013**
Weighted average share price	**£1.36**	**£1.39**	**£1.16**
Expected volatility	**30%**	**30%**	**39%**
Expected life	**3 years**	**3 years**	**3 years**
Risk-free rate	**0.95%**	**1.23%**	**0.31%**
Expected dividend yields	**0%**	**0%**	**0%**

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous five years.

Share Option Plan

The Share Option Plan is divided into two parts: the 'Approved Part' approved by HM Revenue & Customs in the UK for the purposes of the Income and Corporation Taxes Act 1988 and the 'Unapproved Part' which is not so approved. Options are granted at an option price which is not less than the market value of the ordinary shares on the date of grant. Subject to meeting performance conditions which are challenging and reflect a real and meaningful improvement in performance, awards ordinarily vest on the third anniversary of the date of grant.

At 31 December 2014, nil shares remained outstanding (2013: nil). During 2014, no additional shares were granted or earned.

Colt Savings-Related Share Option Scheme

The Colt Savings-Related Share Option Scheme (the "SAYE Scheme") was adopted on 28 April 2006 and operates for the benefit of all eligible employees. Under the SAYE Scheme, employees may save between £5 and £250 a month with a savings institution and are granted options to acquire shares in the Company. After a three-year period, employees can use the proceeds of their savings account to exercise the options at a price established at the beginning of the three-year period.

Details of grants made under the SAYE Scheme are set out below:

Date of grant	Exercise price (£)	Date of vesting	Options granted	Outstanding at 31 Dec 2013	Granted in the year	Exercised in the year[1]	Lapsed in the year	**Outstanding at 31 Dec 2014**
December 2009[2]	1.24	March 2014	147,304	27,801	–	(16,169)	(11,632)	**–**
December 2009	1.21	March 2013	1,845,922	6,418	–	–	(6,418)	**–**
December 2010[2]	1.21	March 2015	26,230	6,811	–	–	–	**6,811**
December 2010	1.21	March 2014	571,099	268,903	–	(119,631)	(149,272)	**–**
December 2011[2]	0.93	March 2016	3,907	3,907	–	–	–	**3,907**
December 2011	1.01	March 2015	1,462,275	1,083,776	–	(28,079)	(138,483)	**917,214**
December 2011	1.16	March 2015	45,823	17,768	–	–	(6,858)	**10,910**
				1,415,384	–	(163,879)	(312,663)	**938,842**
Weighted average exercise price of options				1.06	–	1.18	1.12	**1.01**

[1] Of the options exercised in the year, 30,000 shares were early exercised

[2] Each option holder entered into a four-year savings contract

Share option charge

As described in note 1, the cost of share-based employee compensation arrangements is recognised as an employee benefit expense in the income statement. The 'shares to be issued reserve' represents the cumulative share option charge less amounts transferred to share premium on exercise of options.

For most grants made, the fair value has been calculated using the Black–Scholes model. There were no new options granted during 2013 or 2014.

Volatility is estimated at the date of each grant with reference to the historical volatility in the Group's share price over the previous two year period. In order for options to vest, participants must continue to be employed by the Group and the Group must meet certain non market-based performance conditions. The likelihood of these conditions being met is taken into account when the share option charge is calculated.

During 2014,163,879 options were exercised. The average share price during the year was £1.37. Share options with exercise prices ranging from £0.93 to £1.21 were outstanding at the end of the year, with a weighted average remaining option life of 0.2 years.

Colt Deferred Bonus Plan

The Colt Deferred Bonus Plan (the "Deferred Bonus Plan") was adopted on 28 April 2006. The Deferred Share Bonus Plan allows grants of awards over matching shares based on shares purchased by participants with monies earned under the annual bonus plan. The award of matching shares is subject to performance conditions. Participants must hold the shares for three years to obtain matching shares. No awards were made during 2014 (2013: nil).

On 22 March 1999 an Employee Benefit Trust ("EBT") was established, and on 31 December 2014 it held 191,856 shares (2013: 191,856). These shares can be used to satisfy the Company's obligations under the Deferred Bonus Plan. Nil shares lapsed in 2014 (2013: nil), nil shares vested in 2014 (2013: 31,996). The market value of the shares held at 31 December 2014 was €0.3m (2013: €0.3m).

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17 Non-controlling interest

	€m
Balance at 1 January 2013	(3.6)
Share of loss for 2013	(1.3)
Change in proportion held by non-controlling interest	4.9
Balance at 31 December 2013 and 31 December 2014	–

In June 2013, the Group acquired the remaining 19.9% interest of MarketPrizm Group S.á.r.l. for a purchase consideration of €1. As a result the €4.9m of non-controlling interest as at June 2013 was reclassified to equity.

18 Trade and other payables

	Year ended 31 December	
	2014	2013
	€m	€m
Trade payables	**104.6**	136.8
Other payables	**16.7**	5.9
Taxation and social security	**39.3**	33.5
Accruals	**183.1**	175.2
Deferred revenue	**118.1**	116.4
	461.8	467.8

The average credit period on purchases varies by supplier. The Group has financial risk management policies in place to ensure that all payables are paid on time.

19 Provisions for other liabilities and charges

	Restructuring €m	Property and asset restoration €m	Total €m
At 1 January 2013	31.5	22.7	54.2
Amortisation of discount	–	(0.9)	(0.9)
Charged (released) during the year	–	0.7	0.7
Utilised in the year	(21.3)	(1.2)	(22.5)
Exchange difference	–	(0.1)	(0.1)
At 31 December 2013	10.2	21.2	31.4
Acquisition of subsidiary	**–**	**28.1**	**28.1**
Amortisation of discount	**–**	**1.1**	**1.1**
Charged (released) during the year	**31.1**	**0.7**	**31.8**
Utilised in the year	**(22.3)**	**(1.4)**	**(23.7)**
Exchange difference	**(0.4)**	**0.2**	**(0.2)**
At 31 December 2014	**18.6**	**49.9**	**68.5**

Restructuring provision:

The Group provides for obligations relating to restructuring activities which have been formally planned and announced and where implementation has commenced. The restructuring provision relates to employment termination costs to drive cost reductions in our legacy business. The timing of cash outflows is dependent on operational requirements, including for example the timing of when replacement teams can be put in place where roles are being transitioned between countries, as well as the timing of agreeing final settlements with employees. The latter can also impact the amount paid.

Property and asset restoration provision:

The Group provides for obligations relating to excess leased space and reinstatements of its properties as well as obligations to remove network assets. The provisions represent the net present value of the future estimated costs, with the unwinding of the discount included within the finance cost for the year. The provisions are discounted at a rate between 1.0%-1.9% (2013: 4.0%). The amounts payable in relation to the provision can change dependent on commercial factors including for example the demand for data centre services and internal office space requirements which affect the amount of excess leased space. The amount payable is also dependent on latest estimates of future costs to remove network assets such as cabling. The timing of payments can be impacted by factors including the timing of the exit of property leases and timing of removal of network assets.

Maturity profile of provisions

		2014			2013	
	Restructuring €m	**Property and asset restoration €m**	**Total €m**	Restructuring €m	Property and asset restoration €m	Total €m
Within one year	**18.6**	**5.0**	**23.6**	10.2	3.6	13.8
Between one and two years	**–**	**6.1**	**6.1**	–	5.6	5.6
Between two and five years	**–**	**14.5**	**14.5**	–	9.9	9.9
Over five years	**–**	**24.3**	**24.3**	–	2.1	2.1
	18.6	**49.9**	**68.5**	10.2	21.2	31.4

The above table represents estimated maturities based on contracted property rental lease terms and estimated future restructuring cash outflows.

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20 Cash flow reconciliations

a) Reconciliation of profit for the year to net cash generated from operating activities

	Year ended 31 December 2014 €m	2013 Restated €m
(Loss) profit for the year	**(28.2)**	38.0
Exceptional items	**46.1**	–
Taxation charge	**5.1**	4.4
Net foreign exchange gain arising on financing activities	**(6.7)**	(3.3)
Finance costs	**5.3**	0.7
Finance income	**(0.6)**	(0.4)
Depreciation and amortisation	**276.1**	280.7
Other non-cash items	**2.3**	1.5
Income taxes paid	**(3.8)**	(6.0)
Movement in receivables	**21.1**	(25.1)
Movement in payables	**(47.7)**	(18.7)
Movement in provisions*	**(0.3)**	(5.3)
Restructuring payments*	**(22.3)**	(21.3)
Net cash generated from operations	**246.4**	245.2

* Movement in provisions excludes payments related to restructuring activities.

b) EBITDA reconciliation

	Year ended 31 December 2014 €m	2013 €m
Net cash generated from operations	**246.4**	245.2
Movement in receivables	**(21.1)**	25.1
Movement in payables	**47.7**	18.7
Movement in provisions*	**0.3**	5.3
Restructuring payments*	**22.3**	21.3
Income taxes paid	**3.8**	6.0
Other non-cash items	**(2.3)**	(1.5)
EBITDA	**297.1**	320.1

* Movement in provisions excludes payments related to restructuring activities.

EBITDA is profit before net finance costs and related foreign exchange, tax, depreciation, amortisation and exceptional items.

c) Free cash flow reconciliation

	Year ended 31 December 2014 €m	2013 €m
EBITDA	**297.1**	320.1
Movement in receivables	**21.1**	(25.1)
Movement in payables	**(47.7)**	(18.7)
Movement in provisions*	**(0.3)**	(5.3)
Restructuring payments	**(22.3)**	(21.3)
Income taxes paid	**(3.8)**	(6.0)
Other non-cash items	**2.3**	1.5
Finance costs paid	**(4.0)**	(1.5)
Finance income received	**0.6**	0.4
Net cash used to purchase non-current assets	**(245.5)**	(326.9)
Free cash outflow	**(2.5)**	(82.8)

* Movement in provisions excludes payments related to restructuring activities.

Free cash flow is net cash generated from operating activities less net cash used to purchase non-current assets and net interest paid.

21 Analysis of net funds

	At 31 December 2013 €m	Cash flow €m	Acquisition of subsidiaries €m	Exchange gain €m	**At 31 December 2014 €m**
Cash and cash equivalents	195.6	(130.5)	10.7	1.6	**77.4**
Finance lease liabilities (note 23)	–	–	(40.9)	–	**(40.9)**
Total net funds	195.6	(130.5)	(30.2)	1.6	**36.5**

22 Capital and other financial commitments

	At 31 December	
	2014 €m	2013 €m
Contracts placed for future plant and equipment capital expenditure not provided for in the financial statements	**36.9**	29.9

23 Operating and finance lease arrangements

The Group's material leasing arrangements mainly relate to the rental of properties and telecommunication infrastructure. No contingent rent is payable or due to the Group. There are no material restrictions imposed on the Group in respect of these lease arrangements which have varying durations and renewal rights.

The Group as lessee

Total future aggregate minimum lease payments under non-cancellable operating leases:

	At 31 December 2014			
	Total €m	**Within 1 year €m**	**Between 1 and 5 years €m**	**More than 5 years €m**
Property leases	**263.7**	**39.5**	**120.7**	**103.5**
Other	**4.8**	**2.4**	**2.3**	**0.1**
	268.5	**41.9**	**123.0**	**103.6**

	At 31 December 2013			
	Total €m	Within 1 year €m	Between 1 and 5 years €m	More than 5 years €m
Property leases	194.7	33.1	97.3	64.3
Other	4.9	2.8	1.9	0.2
	199.6	35.9	99.2	64.5

The operating leases payments in relation to telecommunication infrastructure are cancellable so no commitments have been shown.

The Group as lessor

The Group's Data Centre Services Business Unit entered into a number of operating lease arrangements where customers pay to utilise the Group's data centre facilities and specific halls have been allocated to the customer in relation to these arrangements. An amount of €26.7m (2013: €24.0m) has been recognised as revenue in respect of these operating leases.

Total future aggregate minimum lease receipts under non-cancellable operating leases:

	Year ended 31 December	
	2014 €m	2013 €m
Within one year	**27.1**	26.4
Between one and five years	**77.0**	82.4
More than five years	**34.3**	47.3
	138.4	156.1

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Finance lease liabilities

	Year ended 31 December 2014 €m
Gross finance lease liabilities – minimum lease payments	
Within one year	4.3
Between one and five years	17.8
More than five years	40.6
	62.7
Future finance charges on finance lease liabilities	(21.8)
Present value of finance lease liabilities	40.9

The present value of finance lease liabilities is as follows:

	Year ended 31 December 2014 €m
Within one year	1.8
Between one and five years	9.0
More than five years	30.1
	40.9

The Group's obligations under finance leases are secured by the lessors' rights over certain leased assets disclosed in note 11. The fair value of the Group's lease obligations is approximately equal to their carrying amount.

The average lease term is 14 years. The average effective borrowing rate is 6.2%. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group's finance lease liabilities have arisen from the acquisition of KVH Asia Limited on 22 December 2014 (see note 12).

24 Contingent liabilities

The Group is subject to tax audits and litigation in a number of jurisdictions. Where it is believed that this will result in an adverse outcome, the Group recognises the appropriate provision. Where based on expert advice we believe ultimately no liability will arise, no provision is recognised.

From time to time, the Group is subject to legal or regulatory claims, proceedings, investigations or reviews, and may have claims against its suppliers. There are no pending claims, proceedings, investigations or reviews against the Group, which if determined adversely to the Group, are expected to have a material adverse effect on its liquidity or operations.

During 2014, Colt issued performance based guarantees as part of normal trading for certain terms of business service contracts. It is unlikely that the guarantees will be endorsed. The following table summarises the significant guarantees:

Expiry date	Amount €m
2015	2.3
2016	0.3
2017 onwards	3.9
Perpetual	6.5
Total	**13.0**

The Group does not expect these liabilities to crystallise and therefore has not booked a provision in relation to these amounts. The Group holds guarantees for which financial assets are pledged as collateral, refer to note 25 for details.

25 Financial instruments

Treasury policy

The Group operates a centralised treasury function that is accountable to the Board for managing treasury activities in accordance with a framework of treasury policies and procedures approved by the Board. The prime objective of the Treasury department is to optimise the return of the Group's cash balances, subject to risk considerations, and to manage the working capital requirements of the Group. The Group's principal financial risk exposures arise from liquidity, and volatility in foreign exchange rates and interest rates.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by managing adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities. The Group has financed its operations historically through a mixture of issued share capital and long-term senior unsecured loan notes. The Group was debt-free at the end of 2014.

Cash is invested either in AAA unsecured money market mutual funds or placed on term deposit with approved counterparties within approved limits to ensure access to liquid funds to match operating needs. Deposits with a maturity period of more than three months are classified as current asset investments.

The Group has a €20.0m overdraft facility available immediately, which was not drawn on as at 31 December 2014 (2013: €nil). This facility is not subject to any covenant restrictions.

In August 2014, the Group entered into a €150.0m revolving credit facility with a syndicate of banks. The facility remained undrawn as at 31 December 2014. The facility is subject to certain covenant restrictions which become effective when the facility is drawn down. The facility is guaranteed by certain Group entities.

Foreign exchange risk

During 2014, the Group's principal revenue, costs, assets and liabilities, including inter-company debt financing were denominated in Euros. Of the remaining currencies, Sterling was the largest exposure along with US Dollar and Swiss Franc. In December 2014, the Group acquired KVH Asia Limited (see note 12) thereby increasing the Group's exposure in Japanese Yen.

The Group seeks to match foreign currency assets and liabilities where possible and hedging is considered for significant foreign currency transactions. During 2014, a premium was paid to purchase an option in relation to the Japanese Yen required for the KVH Asia Limited acquisition. This option was not exercised as the Euro/Yen exchange rate at maturity of the option was higher than the option price.

In December 2014, forward contracts were put in place to hedge the forecast cash flows in Indian Rupees arising from expenses regarding our Indian shared service centre for the next twelve months. At 31 December 2014, the Group recognised these forward contracts as financial assets at fair value through profit and loss at a fair value of €0.4m. The measurement is categorised as Level 2 on the fair value hierarchy as the measurement relies on foreign exchange rates which are observable inputs other than quoted prices included within Level 1. The fair value movement has been recognised in the income statement under finance income.

We continue to review further hedging which may be appropriate to manage the Group's foreign exchange exposure.

Average and year end Sterling to Euro exchange rates used in the preparation of the financial statements for 2013 and 2014 were as follows:

	Average rate for year	Rate as at 31 December
2014	**1.240**	**1.284**
2013	1.178	1.199

Interest rate risk

As interest is earned on short-term cash deposits and current asset investments at variable as well as fixed rates, changes in interest rates will impact the amount of interest income earned. Trade receivables and payables do not present exposure to interest rate volatility.

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Counterparty credit risk

Financial assets which potentially subject the Group to a concentration of credit risk consist principally of trade and other receivables and cash. Cash includes short-term and money market deposits as well as liquidity funds investments, all deposited for up to three months. Management believes the concentration of credit risk associated with trade and other receivables is minimised due to distribution over many customers in different countries and in different industries. Risks associated with the Group's cash is mitigated by the fact that these amounts are placed across a number of high quality financial institutions. The Group has not experienced any losses to date on its deposited cash.

Sensitivity analysis

As a result of the procedures described above the Group's foreign currency exchange and interest rate risk generally fall within a normal range of 10%. A 10% increase in the value of the Euro relative to other currencies would lead to a corresponding decrease in the fair value of its non-Euro denominated cash and cash equivalents of approximately €3.5m (2013: €4.3m) and an increase in its equity translation reserve deficit of €70.3m (2013: decrease of €32.0m). A 10% increase in interest rates across all maturities would lead to a corresponding increase in the Company's earnings of approximately €nil (2013: €0.1m) based on the interest bearing assets and liabilities held on 31 December 2014.

Currency profile of cash and cash equivalents

	At 31 December	
	2014	2013
	€m	€m
Currency:		
Euro	**42.0**	152.8
Sterling	**13.0**	26.2
Yen	**8.3**	–
Swiss Franc	**6.0**	9.0
US Dollar	**3.1**	3.3
Other	**5.0**	4.3
Total	**77.4**	195.6

The Group's cash and cash equivalents as at 31 December 2014 comprise a mix of investments in unsecured money market mutual funds which earn interest at variable rates and funds deposited for fixed periods earning higher fixed rates of interest.

Group borrowings

The Group has finance lease liabilities of €40.9m (2013: €nil) arising wholly from the acquisition of KVH Asia Limited (see note 23). The Group does not have any other borrowings in 2014 (2013: €nil).

Categories of financial instruments

	At 31 December 2014 €m	2013 €m
Financial assets		
Cash and cash equivalents	**77.4**	195.6
Trade and other receivables [1]	**276.8**	265.3
	354.2	460.9
Financial liabilities		
Financial lease liabilities (note 23)	**40.9**	–
Other financial liabilities [2]	**308.5**	322.9
	349.4	322.9

[1] Excludes prepayments, accrued income and the provision against doubtful debts.

[2] Excludes provisions, current tax liabilities, other tax and social security, deferred revenue and post-employment benefits.

The maximum credit risk exposure of Group financial assets is €354.2m (2013: €460.9m).

Other financial liabilities include contingent consideration in relation to the ThinkGrid acquisition (see note 12). Movements in this liability were as follows:

	At 31 December 2014 €m	2013 €m
As at 1 January	**1.5**	6.5
Settlement	**(0.6)**	(0.8)
Gain recognised in the income statement	**(0.4)**	(3.9)
Amortisation of discount	**–**	0.1
Exchange differences recognised in translation reserve	**(0.1)**	(0.4)
As at 31 December	**0.4**	1.5

The fair value of the contingent consideration in relation to the acquisition of ThinkGrid in 2012 was €0.4m (2013: €1.5m) as at 31 December 2014. The amount is expected to be settled in 2015 and has not been discounted due to immateriality. The 2013 amount assumed a discount rate of 4.0%. This financial liability has a Level 3 fair value hierarchy as the future payments were contingent on the ThinkGrid business achieving contractually agreed financial and non-financial targets over a two-year period from the acquisition date of 9 August 2012. The Group has estimated the expected pay-out of the contingent consideration based on final settlement agreements.

The Group recognised a €0.4m gain (2013: €3.9m) within operating expenses due to changes in the expected payments to be made under the contingent consideration arrangement. This was due to a refinement of the sales strategy and delays in integrating the platform with Colt's systems. These factors temporarily restricted ThinkGrid's opportunity for revenue growth.

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The following tables set out the maturity analysis of the Group's financial liabilities:

	As at 31 December 2014		
	Trade and other payables* €m	Provisions €m	Total €m
2015	**304.4**	**5.0**	**309.4**
2016	**2.5**	**6.1**	**8.6**
2017	**1.6**	**6.2**	**7.8**
2018	**–**	**6.6**	**6.6**
2019	**–**	**1.7**	**1.7**
2020 and subsequent years	**–**	**24.3**	**24.3**
Total	**308.5**	**49.9**	**358.4**

* Excludes provisions, current tax liabilities, other tax and social security and deferred revenue.

	As at 31 December 2013		
	Trade and other payables* €m	Provisions €m	Total €m
2014	317.9	13.8	331.7
2015	3.4	5.6	9.0
2016	1.6	3.8	5.4
2017	–	2.4	2.4
2018	–	3.7	3.7
2019 and subsequent years	–	2.1	2.1
Total	322.9	31.4	354.3

* Excludes provisions, current tax liabilities, other tax and social security and deferred revenue.

See note 23 for the contractual maturity analysis of the Group's operating and finance lease arrangements.

	At 31 December	
	2014 €m	2013 €m
Financial assets pledged as collateral		
Bank guarantee deposits	**4.2**	4.1
Other guarantee deposits	**9.1**	4.7
	13.3	8.8

Bank guarantee deposits are restricted cash funds and credit extensions granted by banks on a country basis. Other guarantee deposits are cash funds paid in advance to suppliers to secure contracts. These deposits have no expiry terms.

Capital risk management

The following table summarises the current capital of the Group:

	At 31 December 2014 €m	2013 €m
Cash and cash equivalents	**77.4**	195.6
Finance lease liabilities (note 23)	**40.9**	–
Equity	**1,519.9**	1,511.1
Capital	**1,407.1**	1,405.5

The Board regularly reviews the Group's funding and capital requirements (refer to page 35 for details). The Group's long-term policy is to finance the Group centrally using a mixture of equity and debt, accessing both longer-term capital markets and short-term bank finance as circumstances require. However, in the short term the Group has sufficient funds to finance both its working capital and immediate non-current asset purchases. The Group's capital structure is reviewed on a regular basis in response to business developments. The Group continues to believe that there are significant growth opportunities for the business and in this context has not declared a dividend in 2014.

26 Pension arrangements

Defined contribution schemes

The Group operates a number of defined contribution pension schemes in its subsidiaries. Pension costs are charged to the income statement on an accruals basis in the period in which contributions are payable to the scheme. The pension cost for 2014 was €20.3m (2013: €19.8m). At 31 December 2014, there was €1.9m (2013: €1.8m) outstanding in relation to contributions due to defined contribution pension schemes.

Employees in certain subsidiaries are members of pension schemes which are state sponsored multi-employer arrangements, whereby Colt contributes to a combined fund in which information specific to Colt is not available. Some of these are defined benefit in nature, but in accordance with IAS 19 "Employee benefits", these schemes have been accounted for as defined contribution schemes.

Defined benefit schemes

As a result of the KVH Asia Limited acquisition, the Group operates an unfunded, unregulated, non-contributory defined benefit scheme in Japan. Employees are entitled to a lump sum payable on retirement based on final salary and length of service. No payments are made during the employee's service life; therefore, no assets are built up in the fund and the scheme contains only liabilities for future payments.

The most recent actuarial valuation for this scheme was carried out as at 31 December 2014. The present value of the defined benefit deficit was measured using the projected unit credit method resulting in a defined pension deficit of €15.2m.

In Switzerland, the Group is affiliated to a collective foundation who operate a defined benefit pension scheme for Colt. Under this scheme employees are entitled to post-retirement benefits at a fixed rate based on their savings capital at retirement. Employees are also entitled to disability and death benefits defined at a percentage of the salary insured. Each affiliated company has a committee who agree the level of employee benefits and are responsible to the beneficiaries of the scheme. A board of trustees is elected out of the affiliated companies and is responsible for asset allocation and administration of the overall collective foundation. This scheme exposes the Group to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Under Swiss law when a pension scheme is in a surplus position as measured under a statutory basis, there is no minimum funding requirement. However, if the scheme is underfunded then the active members along with the employer are required to make additional contributions until such time that the pension scheme is fully funded.

The most recent actuarial valuation for this scheme was carried out on 17 November 2014. The present value of the defined benefit deficit and the related current service cost were measured using the projected unit credit method resulting in a net defined pension deficit of €5.9m (2013: €3.0m).

The Group also operates a scheme in France whereby employees are entitled to a lump sum payable on retirement based on final salary and length of service. No payments are made during the employee's service life; therefore, no assets are built up in the fund and the scheme contains only liabilities for future payments. The liability is not material, but for consistency with the Swiss scheme, has been accounted for as defined benefit in nature. Since the scheme has only an immaterial liability with no corresponding pension scheme assets, no further detailed disclosures regarding the scheme have been provided in this note.

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The pension liability is composed as follows:

	At 31 December 2014 €m	2013 €m
Japanese scheme	**15.2**	–
Swiss scheme	**5.9**	3.0
French scheme	**1.8**	1.9
Total liability	**22.9**	4.9

In 2014 a €2.4m loss (2013: €3.6m gain) has been recognised in other comprehensive income in relation to the remeasurement of the Group's net defined benefit obligations.

Japanese scheme

The following key actuarial assumptions were used for the purpose of the actuarial valuation:

	Year ended 31 December 2014 %
Discount rate	**0.8**
Expected rate of salary increases	**2.0**

Measurement of the defined benefit pension obligation is particularly sensitive to changes in certain key assumptions. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period assuming that all other assumptions are held constant:

Assumption	Change in assumption	Impact on defined benefit scheme
Discount rate	Increase/decrease by 0.25%	Decrease/increase by €0.4m
Rate of salary growth	Increase/decrease by 0.25%	Increase/decrease by €0.4m

In the period between acquisition on 22 December 2014 and 31 December 2014, there were immaterial movements in the amounts expensed in the income statement in respect of the defined benefit scheme, the present value of defined benefit obligations, and the amounts recognised in the statement of comprehensive income. Therefore no further disclosures have been provided.

There are no scheme assets.

The amount included in the statement of financial position arising from the Group's obligations in respect of defined benefit retirement schemes is as follows:

	Year ended 31 December 2014 €m
Present value of defined benefit obligations	**15.2**
Fair value of scheme assets	**–**
Net liability recognised in balance sheet	**15.2**
Deferred tax asset	**–**
Net pension obligation	**15.2**

The Group expects to make a cash contribution of €0.6m to the defined benefit scheme during the next financial year.

Swiss scheme

The following key actuarial assumptions were used for the purpose of the actuarial valuation:

	Year ended 31 December 2014 %	2013 %
Discount rate	**1.25**	2.00
Future pension increases	**0.25**	0.25
Expected rate of salary increases	**2.00**	2.00

Mortality tables used are the “BVG” 2010 tables which consider mortality improvements. The assumed average life expectancy of a pensioner at retirement is 24.9 years for women (2013: 24.8 years) and 21.4 years for men (2013: 21.3 years).

Measurement of the defined benefit pension obligation is particularly sensitive to changes in certain key assumptions. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period assuming that all other assumptions are held constant:

Assumption	Change in assumption	Impact on defined benefit scheme
Discount rate	Increase/decrease by 0.25%	Decrease/increase by €1.1m
Rate of pension growth	Increase/decrease by 0.25%	Increase/decrease by €0.9m
Rate of mortality	Increase by one year	Increase by €0.9m

The amounts expensed in the income statement in respect of the defined benefit scheme are set out below:

	Year ended 31 December 2014 €m	2013 €m
Current service cost	**2.3**	2.3
Past service cost	**–**	0.5
Interest cost on defined benefit scheme	**0.6**	0.5
Interest income on the scheme’s assets	**(0.5)**	(0.4)
	2.4	2.9

Current and past service costs and the gain on the curtailment have been included in selling, general and administrative expenses. The past service costs relate to plan amendments which took place in 2013 and allows employees to increase their savings contribution and also increased the old-age benefits of new pensioners.

Interest costs and interest income have been included in other finance costs (see note 6).

The amount included in the statement of financial position arising from the Group’s obligations in respect of the Swiss defined benefit retirement scheme is as follows:

	Year ended 31 December 2014 €m	2013 €m
Present value of defined benefit obligations	**(33.3)**	(29.0)
Fair value of scheme assets	**27.4**	26.0
Net liability recognised in balance sheet	**(5.9)**	(3.0)
Deferred tax asset (note 13)	**0.7**	0.6
Net pension obligation	**(5.2)**	(2.4)

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Movements in the present value of defined benefit obligations were as follows:

	Year ended 31 December 2014 €m	2013 €m
At beginning of year	**(29.0)**	(29.6)
Current service cost	**(2.3)**	(2.3)
Past service cost	**–**	(0.5)
Interest cost	**(0.6)**	(0.5)
Employee contributions	**(0.2)**	(0.2)
Benefits paid out	**2.4**	2.1
Actuarial (losses) gains and experience adjustments	**(2.9)**	1.5
Exchange differences	**(0.7)**	0.5
At end of year	**(33.3)**	(29.0)

Movements in the fair value of scheme assets were as follows:

	Year ended 31 December 2014 €m	2013 €m
At beginning of year	**26.0**	24.2
Interest income	**0.5**	0.4
Employer contributions	**1.9**	2.0
Employee contributions	**0.2**	0.2
Benefits paid out	**(2.4)**	(2.1)
Actuarial gain	**0.5**	1.7
Exchange differences	**0.7**	(0.4)
At end of year	**27.4**	26.0
Allocated as follows:		
Cash	**0.9**	0.5
Bonds	**13.1**	13.1
Equities	**7.7**	6.9
Property	**3.0**	3.6
Other	**2.7**	1.9
	27.4	26.0

Virtually all of the assets have quoted prices in active markets or are daily traded.

The amounts recognised in the statement of comprehensive income were as follows:

	Year ended 31 December 2014 €m	2013 Restated €m
Experience adjustments on the defined benefit obligations	–	(0.1)
Actuarial (loss) gain arising from changes in the financial assumptions on scheme liabilities	(2.9)	1.6
Actuarial gain on plan assets	0.5	1.7
Remeasurement of the net defined benefit liability	(2.4)	3.2

The cumulative remeasurement of the net defined benefit liability recognised in the statement of comprehensive income is a loss of €4.6m (2013: €2.2m loss).

The average duration of the defined benefit obligation at the end of the reporting year is 13.6 years (2013: 12.7 years).

The Group expects to make a cash contribution of €1.9m (2013: €1.9m) to the defined benefit scheme during the next financial year.

27 Transactions with related entities

Pursuant to a contract with the Group, certain FMR employees provide management and other consulting services to the Group at agreed rates. The fees for these services for the year ended 31 December 2014 were approximately €3.1m (2013: €3.7m) for FMR employees, which include two of Colt's Executive Directors during the year. At 31 December 2014, net of tax recharges, there was an outstanding balance due to FMR of €1.5m (2013: €0.5m).

An amount of €6.9m (2013: €6.7m) was billed during 2014 to FIL and its subsidiaries for Voice and Network Services. An amount of €0.1m (2013: €0.2m) was billed to FIL and its subsidiaries for property sublet rent. At 31 December 2014 there were balances outstanding from FIL and its subsidiaries of €0.5m (2013: €0.5m).

During the year an amount of €0.4m (2013: €0.7m) was paid to FIL and its subsidiaries for software and support services and at 31 December 2014 €0.7m (2013: €0.6m) was due to FIL.

FIL (Luxembourg) S.A., which is a wholly owned subsidiary of FIL, provides administrative and domiciliation services to Colt. The total charges aggregate to €0.1m (2013: €0.1m).

The Group periodically places funds with FIL in unsecured money market mutual funds. At 31 December 2014, the Group placed €1.0m with FIL (2013: €3.3m).

HR Access were sold by FMR on the 1st May 2013, therefore they are no longer a related party. An amount of €1.7m was billed during the four months to 30 April 2013 for Network Services.

On 22 December 2014 Colt completed the acquisition of KVH Asia Limited from Asia Telecom Group L.P. an associate of FMR and FIL for €128.0m, see note 12 for further details.

During the year the Group billed KVH €4.1m (2013: €3.2m) largely in respect of offshoring services as part of a business process outsourcing contract, while the Group was billed €2.6m (2013: €1.9m) by KVH for connectivity and network services provided to Colt. KVH employees provided consulting and other services to the Group for fees of €nil in 2014 (2013: €0.2m). Colt employees provided services to KVH for €0.4m in 2014 (2013: €0.4m). Transactions relating to the post acquisition period are not material and therefore not disclosed separately.

Related parties due to common ownership in acquired MarketPrizm entities

In June 2013 MarketPrizm became a 100% subsidiary of Colt. During the the five months to 31 May 2013 an amount of €1.5m was billed to the Nomura Group and its subsidiaries for Voice and Network Services.

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28 Subsidiary undertakings

The Company is the holding company of the Group and has the following principal operating subsidiary undertakings, each of which is a private company operating in its country of incorporation. The Company holds 100% of the allotted capital of all of its operating subsidiaries through intermediate holding companies. All operating subsidiaries' results are included in the consolidated financial statements. The financial year end of all subsidiary undertakings is 31 December with the exception of Colt Technology Services India Private Limited which is 31 March.

Name	Country of incorporation	Principal activities	Share-holding
Colt Technology Services Group Limited	United Kingdom	Management, administration and treasury services	100%
Colt Technology Services (unlimited company)	United Kingdom	Telecommunications and Internet services provider	100%
Colt Technology Services GmbH	Germany	Telecommunications and Internet services provider	100%
Colt Technology Services	France	Telecommunications and Internet services provider	100%
Colt Telecom Services AG	Switzerland	Telecommunications and Internet services provider	100%
Colt Technology Services S.p.A.	Italy	Telecommunications and Internet services provider	100%
Colt Technology Services S.A.U.	Spain	Telecommunications and Internet services provider	100%
Colt Technology Shared Service Centre Barcelona S.L.	Spain	Intra Group support services	100%
Colt Technology Services B.V.	The Netherlands	Telecommunications and Internet services provider	100%
Colt Technology Services N.V.	Belgium	Telecommunications and Internet services provider	100%
Colt Technology Services GmbH	Austria	Telecommunications and Internet services provider	100%
Colt Technology Services A.B.	Sweden	Telecommunications services provider	100%
Colt Internet US Corp.	USA	Intra Group Internet services provider	100%
Colt Telecom US Corp.	USA	Intra Group telecommunications services provider	100%
Colt Technology Services A/S	Denmark	Intra Group telecommunications services provider	100%
Colt Technology Services A.S.	Norway	Telecommunications and Internet services provider	100%
Colt Technology Services, Unipessoal Lda	Portugal	Telecommunications and Internet services provider	100%
Colt Technology Services Limited	Ireland	Telecommunications and Internet services provider	100%
Colt Technology Services OY	Finland	Telecommunications and Internet services provider	100%
Colt Technology Services India Private Limited	India	Intra Group support services	100%
Colt Technology Services RO SRL (formerly known as Long Line SRL)	Romania	Telecommunications and Internet services provider	100%
Spire Technology Welwyn Limited Partnership	Jersey	Data centre provider	100%
Colt Data Centre Services UK Limited	United Kingdom	Data centre provider	100%
MarketPrizm B.V.	The Netherlands	High performance market data feed handling	100%
ThinkGrid Limited	United Kingdom	Cloud platform provider	100%
KVH Co., Ltd	Japan	Telecommunications and Internet services provider	100%
KVH (Hong Kong) Co., Ltd	Hong Kong	Telecommunications and Internet services provider	100%
KVH Korea Ltd	Korea	Telecommunications and Internet Services Provider	100%
KVH Services LLC	USA	Telecommunication and Internet Services Provider	100%
KVH (Singapore) Pte. Ltd	Singapore	Telecommunication and Internet Services Provider	100%

A full listing of the Group's subsidiary undertakings is available at the registered office of the Company.

Five year summary (unaudited)

Consolidated income statement (after exceptional items)

	Year ended 31 December 2010 €m	2011 €m	2012 €m	2013 €m	**2014 €m**
Revenue	1,583.6	1,554.3	1,594.6	1,575.8	**1,495.5**
Cost of sales					
Interconnect and network	(916.2)	(883.9)	(931.8)	(942.9)	**(895.1)**
Network depreciation	(206.3)	(212.1)	(229.5)	(232.7)	**(221.6)**
	(1,122.5)	(1,096.0)	(1,161.3)	(1,175.6)	**(1,116.7)**
Gross profit	461.1	458.3	433.3	400.2	**378.8**
Operating expenses					
Selling, general and administrative	(367.3)	(338.4)	(361.2)	(312.8)	**(334.4)**
Other depreciation and amortisation	(43.3)	(53.0)	(47.0)	(48.0)	**(54.5)**
Impairment expense	–	–	–	–	**(15.0)**
	(410.6)	(391.4)	(408.2)	(360.8)	**(403.9)**
Operating profit (loss)	50.5	66.9	25.1	39.4	**(25.1)**
Other income (expense)					
Finance income	3.6	3.0	1.5	0.4	**0.6**
Finance costs	(4.9)	(1.1)	(1.9)*	(0.7)	**(5.3)**
Net foreign exchange (loss) gain arising on financing activities	(2.2)	3.2	4.8	3.3	**6.7**
	(3.5)	5.1	4.4	3.0	**2.0**
Profit (loss) on ordinary activities before taxation	47.0	72.0	29.5	42.4	**(23.1)**
Taxation	24.2	(9.7)	(3.7)	(4.4)	**(5.1)**
Profit (loss) for the year	71.2	62.3	25.8	38.0	**(28.2)**
Basic earnings per share	€0.08	€0.07	€0.03	€0.04	**(€0.03)**
Diluted earnings (loss) per share	€0.08	€0.07	€0.03	€0.04	**(€0.03)**
Operating profit (loss) after exceptional items	50.5	66.9	25.1	39.4	**(25.1)**
Exceptional items:					
Cost of sales	2.3	–	14.2	–	**7.8**
Selling, general and administrative	27.8	–	17.8	–	**23.3**
Impairment expense	–	–	–	–	**15.0**
Operating profit before exceptional items	80.6	66.9	57.1	39.4	**21.0**
EBITDA[1]	330.2	332.0	333.6	320.1	**297.1**

[1] EBITDA is profit for the year before net finance costs and related foreign exchange, tax, depreciation, amortisation and exceptional items.

* Restated as the Group adopted IAS 19 (revised).

Five year summary (unaudited)

continued

Consolidated statement of financial position

At 31 December	2010 €m	2011 €m	2012 €m	2013 €m	**2014 €m**
Non-current assets	1,439.1	1,449.0	1,517.1	1,556.0	**1,747.6**
Current assets	566.6	589.7	533.1	471.2	**379.8**
Total assets	2,005.7	2,038.7	2,050.2	2,027.2	**2,127.4**
Total equity	1,371.2	1,448.2	1,483.2	1,511.1	**1,519.9**
Total liabilities excluding provisions for other liabilities and charges	576.6	557.4	512.8	484.7	**539.0**
Provisions for other liabilities and charges	57.9	33.1	54.2	31.4	**68.5**
Total liabilities, capital and reserves	2,005.7	2,038.7	2,050.2	2,027.2	**2,127.4**

Consolidated statement of cash flows

Year ended 31 December	2010 €m	2011 €m	2012 €m	2013 €m	**2014 €m**
Net cash generated from operating activities	279.7	320.7	248.8	245.2	**246.4**
Net cash used in investing activities*	(331.8)	(186.7)	(253.8)	(327.3)	**(362.2)**
Finance costs*	(2.4)	(0.7)	(0.8)	(1.5)	**(4.0)**
Proceeds from issuance of ordinary shares	–	–	0.7	0.3	**–**
Net movement in cash and cash equivalents	(54.5)	133.3	(5.1)	(83.3)	**(119.8)**
Free cash inflow (outflow)	49.0	43.3	(56.6)	(82.8)	**(2.5)**

* Historical comparatives for finance income received have been restated from net finance costs to net cash used in investing activities.

Company Accounts

for the year ended 31 December 2014

Colt Group S.A.

K2 Building
Forte 1
2a Rue Albert Borschette
L-1246 Luxembourg, BP 2174
L-1021 Luxembourg
R.C.S Luxembourg B 115.679

Directors' report

Overview

Colt Group S.A. ("the Company"), is the parent company of the Colt Group S.A. group. The Company, together with its subsidiaries, is referred to as "Colt" or "the Group". Colt provides a range of information and communication services to enterprises across European and Asian cities. Colt Group S.A. was incorporated in Luxembourg on 13 April 2006 and is listed on the London Stock Exchange.

Colt has evolved from its origins as a UK-centric business to a pan-European and Asian multinational business. With over 74% of Colt's revenue and 62% of its network assets based in mainland Europe and a significant number of key pan-European customers, the business is best served with a holding company domiciled in mainland Europe, and in a country with strong EU credentials.

Financial performance and position

The Company is the holding company for the Group and as such it does not trade on its own account. The Company publishes consolidated accounts which contain the full consolidated results of the Group.

The Group generated total revenue of €1,495.5m (2013: €1,575.8m), EBITDA of €297.1m (2013: €320.1m) and a net profit excluding exceptional items of €17.9m (2013: €38.0m). The Group had total assets at 31 December 2014 of €2,127.4m (2013: €2,027.2m) and net assets of €1,519.9m (2013: €1,511.1m).

The Company had total assets at 31 December 2014 of €1,501.0m (2013: €1,371.4m) including €1,499.2m (2013: €1,371.2m) of investments in subsidiaries.

The net loss of Colt Group S.A. for the year ended 31 December 2014 was €5.2m (2013: €2.2m).

Shares in affiliated undertakings

As at 31 December 2014, the Company controlled two subsidiaries: Colt Lux Holding S.à.r.l. and KVH Asia Limited.

At 31 December 2014 the fair value of Colt Lux Holding S.à.r.l. derived from Colt Group's market capitalisation was €1,540.0 million, which supports its carrying value of €1,371.2million. At 31 December 2014 the fair value and carrying value of KVH Asia Limited was €128.0 million, supported by the purchase price paid on 22 December 2014.

Equity

Colt Group S.A. had issued share capital and share premium at 31 December 2014 of €1,407.1m divided into 895,174,323 fully paid shares with a nominal value of €0.50 per share. As at 31 December 2014, the Company did not directly hold any of its own shares.

Internal controls and processes

The Group's back office accounting processes are principally performed at a shared service centre in India. The key financial controls include but are not limited to the review of balances against budget, forecast and previous periods, delegated and defined authority levels, segregation of duties, various reconciliations and system-based controls.

Likely future developments

The Group continues to focus on its core strategy of increasing revenue from Data Centre and Network Services whilst maintaining tight control over operating costs.

Board of Directors

The following people were Directors of the Company during the year ended 31 December 2014 and up to the date of this report unless otherwise specified:

A Barth (resigned on 24 April 2014)
O Baujard (appointed on 24 April 2014)
R Bhasin
V Damiani (resigned on 24 April 2014)
H Eales (appointed on 1 November 2014)
M Ferrari (resigned 31 October 2014)
S Giacoletto
G Gabbard (resigned on 24 April 2014)
S Haslam
T Hilton (resigned on 31 December 2014)
K Innes Ker
A Rabin
L Trainer
M Wilens

Corporate governance declaration

Information on the corporate governance framework adopted by the Board and various corporate governance declarations are reported separately in the Corporate Governance Statement on page 50 of the Colt Group S.A. Annual Report 2014 and published on www.colt.net.

Article 11 report

The following disclosures are made in compliance with Article 11 of the Luxembourg Law on Takeovers of 19 May 2006.

a) Share capital structure

Colt Group S.A. has issued one class of shares which is admitted to trading on the London Stock Exchange. No other shares have been issued by Colt Group S.A. The issued share capital of Colt Group S.A. as of 31 December 2014 amounts to €447,587,161.50 represented by 895,174,323 shares. Colt Group S.A. has a total authorised share capital of €1,250,000,000. All shares issued by Colt Group S.A. have equal rights as set forth in the Articles of Association (the Articles).

b) Transfer restrictions

As at the date of this report, all the Colt Group S.A. shares are freely transferable but shall be subject to the restrictions on shareholdings set forth in Article 8 of the Articles.

c) Major shareholdings

The details of shareholders holding more than 3% of the issued

share capital of Colt Group S.A. as notified to Colt Group S.A. are on page 46.

d) Special control rights

All the issued and outstanding shares of Colt Group S.A. have equal voting rights and there are no special control rights attaching to shares of Colt Group S.A.

e) Control system in employee share scheme

Colt Group S.A. is not aware of any issues regarding section e) of Article 11 of the Luxembourg Law on Takeovers of 19 May 2006.

f) Voting rights

Each share issued and outstanding in Colt Group S.A. represents one vote. The Articles do not provide for any voting restrictions other than in Article 8. In accordance with the Articles, a record date for the admission to a general meeting may be set and certificates for the shareholdings and proxies shall be received by the Company a certain time before the date of the relevant meeting. In accordance with the Articles, the Board of Directors may determine such other conditions that must be fulfilled by shareholders for them to take part in any meeting of shareholders in person or by proxy. Additional provisions may apply under Luxembourg law. Luxembourg legislation requires shareholders to register their intention to vote at least 14 days before the date of the meeting. In accordance with Article 28 of the law on transparency obligations of securities issuers dated 11 January 2008 (the "Transparency Law"), as long as the notice of crossing of major holding in the Company required in accordance with the Transparency Law has not been notified to the Company in the manner prescribed, the exercise of voting rights relating to the shares exceeding the fraction that should have been notified is suspended. The suspension of the exercise of voting rights is lifted the moment the shareholder makes the notification provided for in the Transparency Law.

g) Shareholders' agreements with transfer restrictions

Colt Group S.A. has no information about any agreements between shareholders which may result in restrictions on the transfer of securities or voting rights.

h) Appointment of Board members, amendment of Articles of Association

The appointment and replacement of Board members and the amendment of the Articles are governed by Luxembourg Law and the Articles (in particular Chapters 3 and 4). The Articles are published under the Investors section on www.colt.net.

i) Powers of the Board of Directors

The Board of Directors is vested with the broadest powers to manage the business of the Company and to authorise and perform all acts of disposal and administration falling within the purposes of the Company.

In common with the Articles of Association of other Luxembourg public limited companies, the Company's Articles of Association provide full power to the Board to issue shares on a non pre-emptive basis. However, the Board has confirmed that, as a matter of policy, it intends to comply with the pre-emption guidelines supported by the Investment Association and the National Association of Pension Funds to the extent practical for a Luxembourg company. Furthermore, under the current authorisation given by the shareholders, the Board may purchase, acquire or receive Colt Group S.A.'s own shares in the Company representing up to 10% of the issued share capital from time to time on behalf of Colt Group S.A., subject to prior authorisation by the general meeting of shareholders and on such terms as the Board may decide in accordance with the law. The Board intends to seek a new authorisation at the AGM to be held in 2015.

j) Significant agreements or essential business contracts

The Board of Directors is not aware of any significant agreements to which Colt Group S.A. is a party and which take effect, alter or terminate upon a change of control of the Company following a takeover bid. The Board of Directors has considered essential business contracts and concluded that there are none.

k) Agreements with Directors and employees

No agreements exist between Colt Group S.A. and its Board members or employees that provide for compensation if the Board members or the employees resign or are made redundant without valid reason, or if their employment ceases because of a takeover bid other than as disclosed in the Directors' Remuneration Report on page 71.

The annual accounts on pages 135 to 143 were approved by the Board of Directors on 25 February 2015 and signed on their behalf by:

Rakesh Bhasin
Chief Executive Officer

Independent auditors' report

to the shareholders of Colt Group S.A.

Audit report
To the shareholders of Colt Group S.A.

Report on the annual accounts

We have audited the accompanying annual accounts of Colt Group S.A., which comprise the balance sheet as at 31 December 2014 and the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position Colt Group S.A. as of 31 December 2014, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The Directors' report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

The accompanying Corporate Governance Statement on pages 50 to 63, which is the responsibility of the Board of Directors, is consistent with the annual accounts and includes the information required by the law with respect to Corporate Governance Statement.

PricewaterhouseCoopers Société coopérative
Luxembourg, 25 February 2015
Represented by

Gilles Vanderweyen

Balance sheet

	Notes	Year ended 31 December 2014 €	2013 €
ASSETS			
C. Fixed assets			
III. Financial fixed assets			
1. Shares in affiliated undertakings	3	**1,499,248,890**	1,371,214,106
D. Current assets			
II. Debtors			
2. Amounts owed by affiliated undertakings			
a) becoming due and payable within one year	4	**338,989**	157,032
4. Other receivables			
a) becoming due and payable within one year	4	**191,755**	25,709
E. Prepayments	5	**1,221,977**	24,060
Total assets		**1,501,001,611**	1,371,420,907
LIABILITIES			
A. Capital and reserves			
I. Subscribed capital	6	**447,587,162**	447,012,875
II. Share premium and similar premiums	7	**959,562,109**	958,532,969
IV. Reserves			
4. Other reserves	9	**510,395,682**	510,395,682
V. Loss brought forward	9	**(554,726,700)**	(552,540,873)
VI. Loss for the financial year	9	**(5,152,051)**	(2,185,827)
D. Non-subordinated debts			
6. Amounts owed to affiliated undertakings			
a) becoming due and payable within one year	10	**142,724,493**	9,871,136
9. Other creditors			
a) becoming due and payable within one year	10	**610,916**	334,945
Total liabilities		**1,501,001,611**	1,371,420,907

The accompanying notes form an integral part of these annual accounts.

Profit and loss account

	Notes	Year ended 31 December 2014 €	2013 €
A. CHARGES			
3. Staff expenses			
a) Salaries and wages	11	**451,250**	426,667
5. Other operating charges	13	**3,402,210**	1,229,210
8. Interest payable and other financial charges			
a) concerning affiliated undertakings		**1,298,591**	529,950
Total charges		**5,152,051**	2,185,827
B. INCOME			
12. Loss for the financial year		**5,152,051**	2,185,827
Total income		**5,152,051**	2,185,827

The accompanying notes form an integral part of these annual accounts.

Notes to the annual accounts

1 General information

Colt Group S.A. ("the Company") was incorporated on 13 April 2006 and is organised under the laws of Luxembourg as a "société anonyme" for an unlimited period of time. The status of the Company was changed on 27 June 2006 to become a billionaire 1929 Company in accordance with the law of 31 July 1929 concerning the fiscal regime of Holding companies. Following changes to the law in July 2006 this status expired on 1 January 2011 and the Company became fully taxable in Luxembourg. The Company has its registered office at K2 Building, Forte 1, 2a rue Albert Borschette, L-1246 Luxembourg.

The Company's financial year starts on 1 January and ends on 31 December of each year.

The main activities of the Company are: participation in any manner in all commercial, industrial, financial and other enterprises of Luxembourg or foreign nationality through the acquisition by participation, subscription, purchase, option or by any other means of all shares, stocks, debentures, bonds or securities; the acquisition of patents and licences which it will administer and exploit; it may lend or borrow with or without security, provided that any monies so borrowed may only be used for the purposes of the Company, or companies which are subsidiaries of or associated with or affiliated to the Company; in general it may undertake any operations directly or indirectly connected with these objects.

The Company also prepares consolidated financial statements, which are published according to the provisions of International Financial Reporting Standards (IFRS) and IFRIC interpretations as endorsed by the EU and in accordance with Luxembourg laws and regulations.

2 Summary of significant accounting policies

2.1 Basis of preparation

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost conventions. Accounting policies and valuation rules are, besides the ones laid down by the Law of 19 December 2002, determined and applied by the Board of Directors.

The preparation of the annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that may affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.2 Significant accounting policies

The main valuation rules applied by the Company are the following:

2.2.1 Financial fixed assets

Shares in affiliated undertakings held as financial fixed assets are valued at purchase price including the expenses incidental thereto. In case of a durable depreciation in value according to the opinion of the Board of Directors, value adjustments are made in respect of financial fixed assets, so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Details of the Company's direct subsidiary undertakings are set out in note 3 to the annual accounts.

2.2.2 Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.2.3 Foreign currency translation

The Company maintains its books and records in Euros. The balance sheet is expressed in this currency.

Notes to the annual accounts

continued

Transactions expressed in currencies other than Euro are translated into Euro at the exchange rate effective at the time of the transaction. Formation expenses, intangible, tangible and financial fixed assets denominated in currencies other than the Euro are translated into Euro at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain translated at their historical exchange rates.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the year.

Other assets and liabilities are translated respectively at the lower or at the higher of the value converted at the historical exchange rate or the value determined on the basis of the exchange rate effective at the balance sheet date. The unrealised exchange losses are recorded in the profit and loss account and the unrealised exchange gains are not recognised until the moment of their realisation. Where there is an economic link between an asset and a liability, these are valued in total according to the method described above and the net unrealised losses are recorded in the profit and loss account and the net unrealised gains are not recognised.

2.2.4 Prepayments

These asset items include expenditure incurred during the financial year but relating to a subsequent financial year.

2.2.5 Debt

Debts are recorded at their repayment value.

3 Financial fixed assets

	Affiliated Undertaking Shares €	Total €
Gross book value – opening balance	1,908,082,249	1,908,082,249
Acquisition of subsidiary	128,034,784	–
Gross book value – closing balance	2,036,117,033	1,908,082,249
Accumulated value adjustment – opening and closing balance	(536,868,143)	(536,868,143)
Net book value – closing balance	1,499,248,890	1,371,214,106
Net book value – opening balance	1,371,214,106	1,371,214,106

Undertakings in which the Company holds at least 20% share capital or in which it is a general partner are as follows:

Name of the undertaking	Registered Office	Ownership %	Last balance sheet date	Net equity at the balance sheet date of the Company† €	Loss for the last financial year† €
COLT Lux Holding S.à r.l.	Luxembourg*	100	31 December 2014	**1,370,371,813**	**125,367**
KVH Asia Limited	Japan	100	31 December 2014	**127,683,984**	**–**

* K2 Building, Forte 1, 2a rue Albert Borschette, L-1246 Luxembourg.
† Unaudited.

All subsidiaries have a balance sheet date of 31 December.

On 22 December 2014, the Group acquired 100% of the share capital of KVH Asia Limited for €128.0m cash consideration and obtained control of this company and its wholly owned subsidiaries.

Carrying value of shares in affiliated undertakings

At 31 December 2014 the fair value of Colt Lux Holding S.à.r.l. derived from Colt Group's market capitalisation was €1,540.0 million, which supports its carrying value of €1,371.2million. At 31 December 2014 the fair value and carrying value of KVH Asia Limited was €128.0 million, supported by the purchase price paid on 22 December 2014.

4 Debtors

Amounts due and payable for the accounts shown under 'debtors' are as follows:

	Within one year €	**Total 31 December 2014 €**	Total 31 December 2013 €
Amounts owed by affiliated undertakings	338,989	**338,989**	157,032
Other receivables	191,755	**191,755**	25,709
Total	530,744	**530,744**	182,741

Amounts owed by affiliated undertakings consist of trading balances which are non-interest bearing. All amounts are due within one year.

5 Prepayments

Prepayments are composed of the revolving credit facility arrangement fees to be expensed over the life of the agreement and subscriptions that were paid in 2014 but related to 2015.

In August 2014, the Group entered into a €150.0m revolving credit facility with a syndicate of banks. The facility remained undrawn as at 31 December 2014. The facility is subject to certain covenant restrictions which become effective when the facility is drawn down. The facility is guaranteed by certain Group entities.

6 Subscribed capital

The Company's subscribed capital amounts to €447,587,162 and is divided into 895,174,323 ordinary shares fully paid up with a nominal value of €0.50 each. The authorised share capital at 31 December 2014 amounts to €1,250,000,000. All shares have the same rights and entitlements.

The movements on 'Subscribed capital' item during the year are as follows:

	Subscribed capital €	Number of Ordinary shares
Subscribed capital opening balance	447,012,875	894,025,749
Subscriptions for the year	574,287	1,148,574
Subscribed capital closing balance	447,587,162	895,174,323

During the year the Company issued 1,148,574 shares (2013: 1,053,170) with an associated value of €574,287 (2013: €526,586) arising from the exercising of share options in the Company; refer to note 16 for details.

7 Share premium and similar premiums

The movements on the 'Share premium and similar premiums' item during the year are as follows:

	Share premium €
Share premium and similar premiums – opening balance	958,532,969
Movements for the year	1,029,140
Share premium and similar premiums – closing balance	959,562,109

The movements for the year on the share premium and similar premiums item corresponds to the decisions taken by the Board of Directors (held on 24 February 2014) to issue share capital in the Company arising from the exercising of share options in the Company; refer to note 16 for details.

Notes to the annual accounts

continued

8 Legal reserve

The Company is required to allocate a minimum of 5% of its annual net income to a legal reserve until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed. No amounts have been transferred to a legal reserve during the current or prior periods as the Company has not yet made a profit.

9 Movement for the year on the reserves and profit and loss items

In 2009 a reduction in nominal value of the ordinary shares in Colt Group S.A. resulted in a reserve of €510,395,682.

The movements for the year are as follows:

	Legal reserve €	Other reserves €	Loss brought forward €	Loss for the financial year €
As at 31 December 2013	–	510,395,682	(552,540,873)	(2,185,827)
Movements for the year:				
Allocation of the previous year's losses	–	–	(2,185,827)	2,185,827
Loss for the year	–	–	–	(5,152,051)
As at 31 December 2014	–	510,395,682	(554,726,700)	(5,152,051)

10 Non-subordinated debts

Amounts due and payable for the accounts shown under 'Non-subordinated debts' are as follows:

	Within one year €	**Total 31 December 2014 €**	Total 31 December 2013 €
Amounts owed to affiliated undertakings	142,724,493	**142,724,493**	9,871,136
Other creditors	610,916	**610,916**	334,945
Total	143,335,409	**143,335,409**	10,206,081

The 2014 increase in amounts owed to affiliated undertakings relates to the intra-group financing of the acquisition of KVH Asia Limited. Amounts owed to affiliated undertakings consist of trading balances which are non-interest bearing and loans which are interest bearing. All amounts are due and payable within one year.

11 Emoluments granted to the members of the Board of Directors

The emoluments granted to the members of the Board of Directors in that capacity for the financial year are broken down as follows:

	2014 €	2013 €
Emoluments		
Board of Directors	**451,250**	426,667
Total	**451,250**	426,667

12 Related financial party transactions

The only related party transactions during the year relate to movements in loan balances and interest paid of €553,166 (2013: €529,950) to subsidiary undertakings within the Group.

13 Other operating charges

Other operating charges includes professional fees, travel costs and other miscellaneous items.

14 Auditor fees

The total fees accrued by the Company and paid to the auditor are presented as follows:

	2014 **€**	2013 €
Audit fees	**58,000**	58,000
Other fees	**–**	9,927
Total	**58,000**	67,927

15 Taxes

The Company is subject in Luxembourg to the applicable general tax regulations.

16 Off balance sheet commitments

The financial commitments of the Company are shares to be issued under the various share option plans operated by the Company.

Share option plans

Group Share Plan ("Option Plan")

Options were granted at an option price which was not less than the market value of the ordinary shares on the date of grant. All option awards since July 2003 have been subject to performance conditions. Most of the awards lapsed as the performance conditions were not achieved.

Details of grants made under the Option Plan are set out below:

Date of grant	Exercise price (£)	Dates of vesting	Date of expiration	Options granted	Outstanding at 31 Dec 2013	Granted in the year	Exercised in the year	Lapsed in the year	**Outstanding at 31 Dec 2014**
May 04	2.31	May 07 to May 09	May 14	166,666	166,666	–	–	(166,666)	**–**
Mar 06	2.19	Mar 09 to Mar 11	Mar 16	13,333	6,133	–	–	–	**6,133**
					172,799	–	–	(166,666)	**6,133**
Weighted average exercise price of options					2.31	–	–	2.31	**2.19**

Share options with exercise price of £2.19 were outstanding at the end of the year, with a weighted average remaining option life of 1.2 years.

Share Grant Plan

The Share Grant Plan provides for awards to be made over Company shares. Awards made to Executive Committee members are equity-settled, while awards made to other senior employees of Colt are cash-settled. These awards are aimed at attracting and retaining senior employees. Subject to meeting performance conditions which are challenging and reflect a real and meaningful improvement in performance, awards ordinarily vest three years after the date of grant.

Details of equity-settled grants made under the Share Grant Plan are set out below:

Date of grant	Date of vesting	Number granted	Outstanding at 31 Dec 2013	Granted in the year	Exercised in the year	Lapsed in the year	**Outstanding at 31 Dec 2014**
July 2011	March 2014	2,562,151	1,790,354	–	(984,695)	(805,659)	**–**
February 2012	March 2015	3,078,704	2,250,312	–	–	(528,069)	**1,722,243**
March 2013	March 2016	2,637,917	2,185,917	–	–	(998,066)	**1,187,851**
August 2014	March 2017	2,190,734	–	2,190,734	–	(642,235)	**1,548,499**
November 2014	March 2017	239,323	–	239,323	–	–	**239,323**
		10,708,829	6,226,583	2,430,057	(984,695)	(2,974,029)	**4,697,916**

Notes to the annual accounts

continued

Details of cash-settled grants made under the Share Grant Plan are set out below:

Date of grant	Date of vesting	Number granted	Outstanding at 31 Dec 2013	Granted in the year	Exercised in the year	Lapsed in the year	**Outstanding at 31 Dec 2014**
July 2011	March 2014	4,674,462	3,451,985	–	(1,774,225)	(1,677,760)	**–**
February 2012	March 2015	6,032,238	4,463,419	–	–	(911,872)	**3,551,547**
March 2013	March 2016	4,422,377	3,895,898	–	–	(826,369)	**3,069,529**
October 2014	March 2017	3,436,995	–	3,436,995	–	(39,928)	**3,397,067**
		18,566,072	11,811,302	3,436,995	(1,774,225)	(3,455,929)	**10,018,143**

Since May 2013, additional equity-settled awards have been made to the Executive Committee members. The number of shares to vest is dependent on the level of total shareholder return growth generated on the Company's shares over the three year period commencing after the grant date. This award has been designed to incentivise the management team to carry out Colt's growth strategy.

Date of grant	Date of vesting	Number granted	Outstanding at 31 Dec 2013	Granted in the year	Exercised in the year	Lapsed in the year	**Outstanding at 31 Dec 2014**
May 2013	various[1]	2,634,605	2,257,450	–	–	(875,212)	**1,382,238**
August 2014	various[2]	2,128,495	–	2,128,495	–	(642,235)	**1,486,260**
November 2014	various[3]	239,323	–	239,323	–	–	**239,323**
		5,002,423	2,257,450	2,367,818	–	(1,517,447)	**3,107,821**

[1] The plan's shares vest in three tranches: one-third in May 2016, one-third in May 2017 and one-third in May 2018.

[2] The plan's shares vest in three tranches: one-third in August 2017, one-third in August 2018 and one-third in August 2019.

[3] The plan's shares vest in three tranches: one-third in November 2017, one-third in November 2018 and one-third in November 2019.

The fair value of the options at the grant date was assessed using the Monte Carlo simulation model. The following assumptions were used in this model:

	November 2014	**August 2014**	**May 2013**
Weighted average share price	**£1.36**	**£1.39**	**£1.16**
Expected volatility	**30%**	**30%**	**39%**
Expected life	**3 years**	**3 years**	**3 years**
Risk-free rate	**0.95%**	**1.23%**	**0.31%**
Expected dividend yields	**0%**	**0%**	**0%**

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous five years.

Share Option Plan

The Share Option Plan is divided into two parts: the "Approved Part" approved by HM Revenue & Customs in the UK for the purposes of the Income and Corporation Taxes Act 1988 and the "Unapproved Part" which is not so approved. Options are granted at an option price which is not less than the market value of the ordinary shares on the date of grant. Subject to meeting performance conditions which are challenging and reflect a real and meaningful improvement in performance, awards ordinarily vest on the third anniversary of the date of grant.

At 31 December 2014, nil shares remained outstanding (2013: nil). During 2014, no additional shares were granted or earned.

Colt Savings-Related Share Option Scheme

The Colt Savings-Related Share Option Scheme (the "SAYE Scheme") was adopted on 28 April 2006 and operates for the benefit of all eligible employees. Under the SAYE Scheme, employees may save between £5 and £250 a month with a savings institution and are granted options to acquire shares in the Company. After a three-year period, employees can use the proceeds of their savings account to exercise the options at a price established at the beginning of the three-year period.

Details of grants made under the SAYE Scheme are set out below:

Date of grant	Exercise price (£)	Date of vesting	Options granted	Outstanding at 31 Dec 2013	Granted in the year	Exercised in the year[1]	Lapsed in the year	**Outstanding at 31 Dec 2014**
December 2009[2]	1.24	March 2014	147,304	27,801	–	(16,169)	(11,632)	**–**
December 2009	1.21	March 2013	1,845,922	6,418	–	–	(6,418)	**–**
December 2010[2]	1.21	March 2015	26,230	6,811	–	–	–	**6,811**
December 2010	1.21	March 2014	571,099	268,903	–	(119,631)	(149,272)	**–**
December 2011[2]	0.93	March 2016	3,907	3,907	–	–	–	**3,907**
December 2011	1.01	March 2015	1,462,275	1,083,776	–	(28,079)	(138,483)	**917,214**
December 2011	1.16	March 2015	45,823	17,768	–	–	(6,858)	**10,910**
				1,415,384	–	(163,879)	(312,663)	**938,842**
Weighted average exercise price of options				1.06	–	1.18	1.12	**1.01**

1 Of the options exercised in the year, 30,000 shares were early exercised.

2 Each option holder entered into a four-year savings contract.

Colt Deferred Bonus Plan

The Colt Deferred Bonus Plan (the 'Deferred Bonus Plan') was adopted on 28 April 2006. The Deferred Share Bonus Plan allows grants of awards over matching shares based on shares purchased by participants with monies earned under the annual bonus plan. The award of matching shares is subject to performance conditions. Participants must hold the shares for three years to obtain matching shares. No awards were made during 2014 (2013: nil).

On 22 March 1999 an Employee Benefit Trust ('EBT') was established, and on 31 December 2014 it held 191,856 shares (2013: 191,856). These shares can be used to satisfy the Company's obligations under the Deferred Bonus Plan. Nil shares vested in 2014 (2013: 31,996). The market value of the shares held at 31 December 2014 was €0.3m (2013: €0.3m).

17 Subsequent events

No subsequent events were reported post balance sheet date at the date of approving the Company's annual accounts.

Glossary

Term	Definition
Access and bandwidth	Data network products and services. These range from simple Internet access to fully managed networks. These products and services include "access" network components and long distance (including international) network components, or "bandwidth".
Access network	The network of fibre directly connecting our customers' buildings.
ACV	Annual contract value. The annual recurring revenue of a customer contract.
CAGR	Compound annual growth rate. The average rate of annual growth in the defined period.
Carrier Voice	The Colt portfolio of wholesale voice services to other carriers for the transport of their voice traffic. Carriers can be other network operators, service providers or resellers. Colt operates a fully owned and managed pan-European Voice switching network, and trades call minutes in bulk volumes. These calls are carried across Colt's network and may either be terminated on Colt's network or delivered to other operators for termination on their networks.
Cloud services	IT services that provide our customers with the ability to run a program or application on multiple computers and locations, on demand.
Colocation	A service where customers lease space in a data centre within which they can install their own IT equipment. A distinction is made between retail colocation (small units of space) and wholesale colocation (large units of space) though the boundary between the two is blurring.
Corporate Voice	The Colt portfolio of Voice services to end customers. Services include line rental, outbound voice calls, IN services and inbound voice services.
Data Centre Services	The Colt line of business responsible for delivering colocation and value added data centre services in secure, carrier neutral facilities across Europe and Asia. See page 26.
Ethernet	A family of data communication technologies that allows our customers to exchange large amounts of data at very high speeds.
Ftec	Flexible Technology. Colt's pioneering modular data centre design that allows customers to change the amount of power, space and cooling they require, not just during the design phase, but throughout the lifetime of the data centre.
FTR	Fixed Termination Rates. The rate charged by one operator to another to deliver a call to a customer. Across Europe these rates are being reduced in line with EU guidance, but they are implemented by the local regulatory authorities and therefore rates vary by country.
FTTx	A generic term for broadband networks that use fibre-optic cabling in the access network. Fibre networks offer more bandwidth than legacy copper cable networks, so the closer the fibre runs to the customer premises the faster the connection. FTTP (fibre-to-the-premises) or FTTH (fibre-to-the-home) are end-to-end fibre solutions. FTTC (fibre-to-the-cabinet) solutions use legacy copper links in the network from the street cabinets to the customer premises.
Hosting	A service where the customer's IT systems or applications are hosted on Colt owned and managed IT infrastructure (servers and storage).
IMS	IP (Internet Protocol) Multimedia Subsystem. The structure used to deliver IP multimedia services.
IN	Intelligent Network services are value added voice services, such as geographical numbers and premium rate numbers.
IPVoice	Colt VoIP service (See VoIP).
IPX	IP Packet Exchange. Next generation structure for fixed and mobile operators to interconnect with each other to deliver voice and data communication across multiple locations.
IT Services	The Colt line of business responsible for delivering IT infrastructure, platform and workload solutions for enterprises and channel partners. See page 27.
KVH Asia	A similar business to Colt, operating in Asia, which Colt acquired in December 2014. KVH is an infrastructure based service provider in networks and data centres across Asian cities.

Term	Definition
LDN	Long distance network. The core of the network; the links between the MANs (see MAN).
Lines of Business	Colt moved to a new organisational structure in May 2014 called "lines of business", encompassing our major product categories of Network Services, Voice Services, Data Centre Services and IT Services.
LTE	Latest generation mobile technology allowing the mobile exchange of higher amounts of data at higher speeds than older technologies.
MAN	Metropolitan Area Network. Rings of fibre that link the access network across metropolitan areas with the long distance network.
MPLS	Multi-Protocol Label Switching. A latest generation data networking technology that allows our customers to exchange data more efficiently.
MSP	Multi-Service Platform. A technology that allows for the efficient carriage of multiple different technologies, products and services over a single network.
MTR	Mobile Termination Rates. The rate charged by one operator to another to deliver a call to a customer of its mobile network. Across Europe these rates are being reduced in line with EU guidance, but implementation is by the local regulatory authorities and therefore rates and rate declines vary by country.
Network Services	The Colt line of business responsible for providing data connectivity products and services from simple broadband access to complex managed networking solutions. See page 24.
PUE	Power Usage Effectiveness. A measurement that indicates the power efficiency of a data centre by describing how much power it uses as a whole (including ancillary services, such as heating, light and cooling) relative to the amount of power required by the IT equipment alone. The lower the number, the more efficient the data centre.
Retail colocation	The leasing of small units of data centre space, usually sold by the rack (the individual frames that house the IT equipment). Power is usually included as part of the rental fee.
SDH	Synchronous Digital Hierarchy. An older form of low-data exchanging services (typically 2Mbit/s or less).
SDN	Software Defined Networking. A technology where the capacity of data our customers need to exchange over the network is able to be flexed up or down in accordance with their (software) demands.
SIP	Session Initiation Protocol. A signalling language used to control multimedia communications, such as Voice and video calls. SIP is most commonly known as a technology that allows our customers to use Voice services on data networks, such as VoIP.
SSD	Solid state drive. A high performance method of storing data using solid state flash drives. It maintains data even without power and has no moving parts, so it is a more efficient means of storing data, and generally offers faster data access.
TDM	Time-division multiplexing. An older network technology. The global standard used to carry multiple traditional voice calls over the same transmission line, but being replaced by more efficient data exchanging technologies.
VoIP	Voice over IP. A technology used to carry high levels of voice on a network configured for high levels of data. The Colt VoIP service is called IPVoice.
Voice Services	The Colt line of business responsible for delivering reliable carrier and enterprise grade voice services. We provide traditional telephony services as well as VoIP to both enterprises and service providers (carriers, cloud service providers). See page 25.
Wholesale colocation	The leasing of larger units of data centre space (from a few hundred square metres to an entire data centre). Power is usually contracted separately from the rental fee.
XaaS	Shorthand for the provision of something (X) as a Service. For example, IaaS is Infrastructure-as-a-Service, where a customer can buy access to the use of third party computer and storage for periods of time, rather than purchasing the underlying infrastructure outright.

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Investor information

Electronic communications

The Company encourages the use of electronic investor communication. Hard copies of the Annual Report and other investor documents will only be circulated to the investors who request to receive a paper version. If other investors fail to communicate an email address, they will receive a paper notification as to the date of publication of such reports on our website. Investors wishing to revert to hard copies of investor documents or who would like to communicate their email address for the first time should contact our Registrars, Computershare Investor Services (Jersey) Limited.

Electronic proxy voting is also available to shareholders for the Company's AGM and for any other shareholders' meetings, regardless of whether their shares are held in CREST or certificated form.

Investor enquiries

Colt's website is at www.colt.net. For enquiries related to share registration, please liaise with our Registrars, Computershare Investor Services (Jersey) Limited. Institutional investors and financial analysts can contact Colt Investor Relations.

Listing

Ordinary shares of Colt Group S.A. are listed on the London Stock Exchange.

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AGM

The 2014 Annual General Meeting of Colt Group S.A. will be held at 11.00 am (Luxembourg time) on 30 April 2015 at K2 Building, Forte 1, 2a rue Albert Borschette, L-1246 Luxembourg, Grand-Duchy of Luxembourg

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