

ANNUAL REPORT & FINANCIAL STATEMENTS

For the year ended 31 December 2017





KEY HIGHLIGHTS

£377.6m

Revenue

£267.7m

EBITDA

£5.37bn

CBRE property
valuation

5+ years

Weighted Average
Lease Duration

€1bn

Bond issuance
to support
company's growth

1.875%

Average interest rate
on €1bn bonds

£425m

Revolving
Credit Facility

3.2%

Weighted Average
Cost of Debt

Eleven

Data centres across
eight markets

3.67m

Square feet of
gross space

13.27%

Increase in portfolio
gross space

357MVA

Utility power supply
to data centres

GLOBAL SWITCH HOLDINGS LIMITED

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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Overview

In today's highly connected world, there is a definite need for fast and secure connectivity to drive the digital economy, productivity and innovation. At Global Switch, it is our mission to meet this need for our customers and we have evolved world class, large scale, carrier and cloud neutral data centres in Europe and Asia-Pacific which enable our customers to deploy their IT equipment with us and connect with the world effortlessly. What sets us apart is the scale of our community which offers unrivalled access to leading cloud and telecommunication providers, delivering the best possible value to our customers.

Since Global Switch was founded in 1998 with the launch of one data centre, Global Switch has been on an incredible journey. From a portfolio which was barely utilised ten years ago, we now have over 1,100 customers connecting with over 300 telecommunications carriers across eight Tier 1 markets, and an average occupancy rate of almost 90%. With strong positions in the key Asia-Pacific and European markets, Global Switch is the second largest multi customer, large scale data centre operator, based on worldwide Q4 2017 revenues (source: Synergy Research Group). We have a proven business model and a demonstrable track record. We are also the highest credit rated data centre company in the world, with strong investment grade credit ratings from Fitch, Moody's and Standard & Poor's.

2017 marked an important milestone for Global Switch. In December we successfully entered our eighth market with the launch of Stage 1 of our world class HK\$5 billion data centre in Hong Kong, the eleventh in our portfolio. This market leading data centre has best-in-class operational processes and deepens our global platform. Following our entry into Hong Kong, the completion of our second data centre in Sydney, and the three data centres we currently have under construction, Global Switch's portfolio will increase to 13 data centres with an aggregate gross floor area of over 425,000 square metres, with a fourteenth data centre to come in Shanghai. These data centres are located in "Tier 1" markets - defined as the key national and regional connectivity hubs – and situated in areas of high population density, close to central business districts and with exceptional national network connectivity.

We remain committed to our strategy of sustainable growth, maintaining a balanced approach to development that optimises returns and minimises execution risk. Geographically, we are focused on Europe and Asia-Pacific, both of which have attractive long-term fundamental market characteristics. Our commitment to a disciplined strategy has resulted in another year of good financial and operational performance, with the business delivering growth in revenue and EBITDA and a further strengthening of our margins. At the same time, we maintained a low level of gearing reflecting both the increasing strength of our balance sheet and the significant operating cash flows generated by the business. With a strong pipeline of development activity, we see further opportunities for growth in revenues and profitability and are confident in the outlook for the year ahead.

Growth Strategy

Our strategy remains focused on delivering sustainable growth. To meet this objective, we seek to increase occupancy rates in existing data centres, to redevelop selective existing spaces in order to increase power densities and revenue yields on that space, and to develop new data centres in Tier 1 markets.

Our business is currently characterised by two significant themes. Firstly, the growing demand for space in large scale, high power density flexible formats from multi-national internet businesses and cloud providers or other hyperscale customers. Secondly, the rapid expansion into Asia and Europe of Chinese customers which require significant data centre capacity. Global Switch is positioned at the intersection of these two themes.

We are taking specific actions to meet this demand. Over the last year, we have accelerated our development activity with major construction works underway in Hong Kong, Singapore and Sydney. In anticipation of this development activity, the Company has, over a number of years, increased the capacity of its team in order to have full project development capability in both Europe and Asia-Pacific.

This expansion plan has been funded through a carefully constructed debt capital programme. Global Switch's strong investment grade credit rating allows it to access debt capital pools at lower interest rates than its competitors. This reduces the cost of capital for our company, which is essential in order to provide the competitive pricing necessary to win business from hyperscale customers, while still generating high returns on capital employed.

The year in review

As noted earlier, 2017 was an exciting year for Global Switch, marking our entry into a new market with the launch of the first stage of our world-class data centre in Hong Kong. Following the execution of a Co-operation Framework Agreement with China Telecom Global (CTG) and Daily-Tech, Global Switch partnered with these major companies to launch Global Switch Hong Kong, our new HK\$5 billion data centre. The new facility was officially opened by Dr David Chung Wai-keung, Undersecretary for Innovation and Technology, and was widely attended by representatives of senior industry players and customers from Hong Kong and across the region.

On completion of the second and final stage currently under construction, the carrier and cloud neutral multi-customer facility will become not only one of the largest data centre campuses in our portfolio, but also Hong Kong's largest carrier neutral data centre. The services and facilities available at the data centre represent a significant step forward for Hong Kong as it continues to grow into a regional technology and innovation hub. It also demonstrates the commitment of CTG, Daily-Tech and Global Switch to provide customers with industry-leading facilities and solutions, thereby driving leadership in telecommunications, cloud and managed services.

I am pleased to announce that this week the District Land Council of Hong Kong has approved the application by the Hong Kong Science and Technology Park Corporation to increase the plot ratio of some of the sites within the Tseung Kwan O Industrial Estate, including our site, thereby allowing Global Switch to increase the size and scale of its development.

The Cooperation Framework Agreement referenced above enables CTG and Daily-Tech to draw on Global Switch's already significant data centre capabilities outside China to serve their customer bases as they expand into global markets. The signing of the agreement was a significant step for Global Switch as we further build the relationship with our partners. It is one that is already bearing fruit, as can be evidenced from our strong customer pipeline that includes many Chinese customers as well as our traditional Western customers. This agreement is reflective of Global Switch's strategy of supporting Chinese enterprises with data centre services as they expand outside of mainland China.

Global Switch also completed the second and final stage of its Sydney East data centre, delivering a further 19,000 sqm of gross floor area to the 12,000 sqm completed in the first stage. In response to market demand from CTG and a pre-commitment from Daily-Tech, Global Switch has progressed the development of its second data centre in Singapore, further strengthening our product offering in the Asia-Pacific region.

In Europe, I am pleased to announce that this week Global Switch secured planning approval for Frankfurt North, our new 12 MW expansion in that market, again based on a pre-commitment from Daily-Tech and end customer demand from CTG.

Customers continue to value the unique platforms and access to the rich connectivity networks that Global Switch offers, as well as the exceptional service that we provide. Throughout the year, the company secured a number of important customer requirements and negotiated a number of substantial renewals. Amongst these, three of the Company's top 10 customers renewed the vast majority of their contracts across the portfolio for durations of over 10 years in length, demonstrating the value they place on our service. The effect of all renewals across the portfolio over the last 12 months, together with new contracts, has been an increase in our weighted average lease duration to over five years. This significant renewal activity is a strong endorsement for the new shareholder register at Global Switch and demonstrates confidence in the future of the company.

Market Overview

The demand for large scale, cloud and carrier neutral, multi-customer data centres has remained strong in Global Switch's markets throughout 2017. Furthermore, global MTDC revenues are set to grow at a compound annual growth rate of 12% for the period 2016 to 2021 (*source: 451 Research*).

The data centre market continues to be influenced by the desire of companies, governments and individuals to collaborate across multiple platforms and geographies. The growth in internet traffic across the globe continues unabated at 20% per year in Europe, and 25% in Asia-Pacific (*source 451 Research*) and results in the need for customers' network, processing and storage equipment to be housed in mission-critical facilities such as Global Switch. The adoption of private, hybrid and public cloud solutions as well as the choice of cloud applications also

continues to increase. According to the Cisco Global Cloud Index (2016-2021), over the period of the report, data centre workloads and compute instances will more than double, while for cloud data centres, they will nearly triple. In-house data centres continue to decrease, as enterprises look to move out of unsuitable facilities and seek to reduce their capital costs. The outsourcing trend which we have witnessed over recent years is expected to continue for the foreseeable future and provide further demand and growth opportunities for large scale multi-customer data centre providers such as Global Switch.

During 2017 there continued to be a considerable amount of industry merger and acquisition activity. Synergy Research Group calculated that data centre oriented deals reached \$20bn in value during 2017. This surpassed the total for 2015 and 2016 combined and shows that data centres are both liquid assets, and have become a well-defined asset class in their own right. Valuations have also continued to rise, with a number of the international colocation transactions during 2017 being priced at multiples of up to 20x forward EBITDA and in some cases higher multiples. There is now ample evidence of capital inflows to the sector, with competition from both trade and private equity investors strongly evident.

Developments

December 2017 marked the official launch of Stage 1 of Global Switch's new Hong Kong data centre, the total cost incurred to date of which amounts to over £230 million. The project's success was due to the very significant efforts of many members of the Global Switch team, our various contractors and suppliers, and the full support of the Hong Kong Science and Technology Park. The first Stage (Buildings 1 and 2) of the data centre has been contracted to Daily-Tech, with their end customer CTG. Due to market demand, construction of Stage 2 has already commenced and Building 3 is on target to launch at the end of this year, with completion of Buildings 4 and 5 due the following year.

Construction of the final stage of Sydney East completed in December 2017, adding a further 19,000 square metres of gross floor space to the 12,000 sqm made available by Stage 1. The Sydney campus now spans 73,000 sqm of gross floor area and offers 83MVA of utility power supply capacity.

Construction of Singapore Woodlands is progressing well and is on target for launch later this year. The data centre will provide 25,000 square meters of gross floor area with 30MVA utility power supply capacity, and will have Daily-Tech as its first customer and again, one of its end customers is expected to be CTG. In order to meet dual occupancy demand, Singapore Woodlands is strategically located in the north of the island and physically distanced from our existing Tai Seng data centre, which is widely regarded as one of the most inter-connected hubs in the region. Singapore Woodlands will have direct connections to Tai Seng's network dense ecosystem and provide customers with multiple connectivity solutions.

As previously reported, we are also planning to develop a data centre in Shanghai, China jointly with Daily-Tech. We have identified land in the Free Trade Zone, which allows foreign customers to bring their technology equipment into the country without paying import taxes. The data centre will target Western customers that have significant data centre requirements inside China.

In Frankfurt, we have recently received final planning permission for our second data centre on our existing campus, Frankfurt North, and expect to start construction shortly. This new data centre will be joined to the existing Frankfurt South data centre by a shared reception and provide 11,000 square metres of gross floor area. Enabling works, including the relocation of the car park, have already been completed. Daily-Tech, with end customer demand from CTG, has announced a pre-commitment representing 50% of the new development, which will provide the anchor customer for this new data centre. This further demonstrates the success of Global Switch's strategy to facilitate the expansion of Chinese companies as they expand outside of mainland China.

The redevelopment of London North is underway and the construction of the first of four phases has commenced. The aim of the project is to create new high power density technical space with the latest cooling technologies to maximise energy efficiency, as well as create a new reception benefitting from enhanced security features. The first phase will deliver 1,200 square metres of technical space (at a power density of up to 2,000 W/sqm) and target a very low Power Usage Effectiveness (PUE) within the suite. Plans are already progressing for the redevelopment of a similar lower yielding space and for a power densification project in our Paris East data centre.

We received planning in June 2017 for Stage 2 of the extension to our Amsterdam data centre, which will enable Global Switch to meet market demand with approximately 8,000 square metres of gross space expected to be added to the existing footprint in the coming year or so.

We are pleased with the continued progress of our expansion plans and excited to see these develop further during 2018 and beyond.

Financial Highlights

In May, Global Switch raised €1 billion by issuing two €500 million bonds, to support its growth and expansion plans, as well as to undertake early refinancing of an April 2018 maturing bond. The new bonds, which were 3.4 times subscribed, have an average interest rate of 1.875% and an average term of 8.3 years which represents a lower coupon than any bonds issued by any of our industry peers.

The two bonds (€500 million maturing 2024 at a coupon of 1.5% and €500 million maturing 2027 at a coupon of 2.25%) provided the funds that allowed Global Switch not only to fund growth but also to undertake two separate tender programmes, for the 2018 Euro bond and the 2020 Australian dollar bond. These tenders were very successful, with over 87% of the Australian dollar bond and nearly 50% of the Euro bond tendered. The combination of the issue of two new bonds and the tender for two existing bonds had the effect of increasing the average debt maturity to over six years and reducing the company's average cost of bond debt from 5.1% to 3.2%.

The remaining €301 million of the 2018 Euro bond will mature in April 2018. Repayment is fully funded by available cash. Following this bond maturity, Global Switch's weighted average debt maturity will extend further to 6.6 years and the weighted average cost of bond debt will further reduce by 60 basis points to 2.6%.

In December 2016 Global Switch repaid and cancelled its then existing Revolving Credit Facility. In February 2017, we successfully closed a new £425 million revolving credit facility on excellent terms, including an attractive four year duration with two options to extend for a year and an industry leading sub 1% margin. We are grateful to the support of our long standing house bankers (Barclays, Credit Suisse, Deutsche Bank and HSBC) and welcome the participation of a new lender, Bank of China. The long-term commitment of the participating banks on these terms was a reflection of the strength of Global Switch's business, its risk averse development plans and its continued low leverage.

Over the next three years Global Switch expects to invest over £1 billion in new development projects. This will be funded by the combination of the 2017 bond issues and ongoing cash flow generation from existing operations. Fitch, Moody's and Standard & Poor's have all reviewed Global Switch's business development plans and retained their strong investment grade credit ratings.

Global Switch's revenue, for the year ended 31 December 2017 was £377.6 million and its EBITDA was £267.7 million representing good growth over the previous year.

	12 months ended 31 December 2017 (£ millions)	12 months ended 31 December 2016 (£ millions)	Increase %
Revenue	377.6	368.8	2.4%
EBITDA*	267.7	254.3	5.3%
EBITDA margin	70.9%	69.0%	1.9%
Investment property valuation	5,374.1	4,947.7	8.6%

*A reconciliation between operating profit and EBITDA is provided in Note 6 to the Financial Statements

Revenue has increased by 2.4% from the prior year from £368.8 million to £377.6 million. The EBITDA margin strengthened to 70.9% (2016: 69.0%). In accordance with industry convention and accounting standards, we account for power on a gross basis with power being included in both revenue (power cost recoveries from our customers) and costs (supplied power costs). While the company continues to recover all power costs from its customers, this accounting treatment has the effect of reducing reported EBITDA margins. If power were accounted for on a net basis, the EBITDA margin would have been 83.0% for the year ended 31 December 2017 (2016: 80.7%), compared to 70.9% (2016: 69.0%) on a gross power basis.

Global Switch's data centres and associated land interests have been independently valued at £5,374.1 million as at 31 December 2017 (2016: £4,947.7 million) by CBRE Limited. This represents an 8.6% increase over the prior year valuation. The increase reflects the continuing strong performance of the existing properties and new development capital expenditure incurred over the period and is consistent with prime asset capitalisation rate compression evidenced in both the data centre and other real estate asset classes.

Despite its active development programme, Global Switch continues to maintain a low level of gearing reflecting both the increasing strength of our balance sheet and the significant operating cash flows generated by the business. Our strong balance sheet and capital structure is reflected in a net debt to EBITDA ratio and loan to value ratio of 4.0:1 and 20% respectively as at 31 December 2017, compared to 3.7:1 and 19% as at 31 December 2016.

These leverage ratios compare very favourably to Global Switch's data centre and real estate peers. It is likely that the Group's new development programme will result in a modest increase in leverage as cash flows and drawings under the revolving credit facility are invested in new projects, while remaining appropriate to the metrics required to maintain our investment grade credit ratings.

As at 31 December 2017, gross assets were £5,940.1 million (2016: £5,243.3million) and net assets were £3,345.2 million (2016: £3,042.0 million). Under International Financial Reporting Standards (IFRS), it is necessary to provide a deferred tax liability in respect of increased property values, irrespective of the likelihood of the tax liability crystallising in the future. Accordingly, Global Switch's balance sheet includes a deferred tax liability associated with the investment properties of £799.1 million (2016: £792.3 million), which would only arise if the data centre properties were sold as individual assets. We believe that the likelihood of this sale occurring is remote. Excluding the deferred tax liability, the Group's net assets as at 31 December 2017 would pro forma increase from £3,345.2 million to £4,144.3 million (2016: £3,042.0 million to £3,834.3 million).

Dividends

For the year ended 31 December 2017, no dividend was declared or paid (2016: £13.2 million). In order to fund our various new development activities, the shareholders have resolved that Global Switch will not pay any further dividends before at least March 2019.

Ownership

Following the strategic investment by a consortium of high quality, private sector Chinese corporate and institutional investors in December 2016, the consortium's investment vehicle, Elegant Jubilee Limited, increased its stake as planned by a further 2% in December 2017 to take its equity ownership stake to 51%. Together with Elegant Jubilee Limited, Aldersgate Investment Limited continues to jointly control Global Switch via a shareholders' agreement and there has been a continuing affirmation of the strategic direction, management, financial and operational policies at Global Switch.

The first year of the new shareholding structure has been a great success. The board structure consists of two representatives from Elegant Jubilee, and two from Aldersgate Investments, together with David Doyle, our CFO, and me as CEO. The new shareholders have contributed greatly both through connections and relationships as well as with practical advice and guidance. The board met regularly during the year and Global Switch has become a stronger business with the introduction of these new shareholder representatives.

The Board of Global Switch and its shareholders continue to monitor opportunities for increased capital formation by the company, including the possibility of a future Initial Public Offering by the company on a major international stock exchange.

Outlook

Following the completion of the construction of Sydney East, Hong Kong becoming operational and with its remaining stages underway, together with the new data centre in Singapore due for launch in late 2018, we anticipate that revenue and EBITDA growth rates will increase during 2018 and 2019. Importantly we also have a pipeline of new development opportunities still to generate revenues including new data centres in Frankfurt, Amsterdam, London and Shanghai, together with the redevelopments in London and Paris, which will add further growth in the medium term.

The new strategic investors have brought a positive influence on Global Switch. They have come at a time when management had implemented a strategy to position Global Switch as a key provider of services to hyperscale customers and to customers expanding out of mainland China. With the Chinese Belt and Road policy encouraging Chinese companies to invest internationally, our shareholding structure makes Global Switch the first choice for companies requiring data centre capacity in Europe and Asia-Pacific. The pre-commitments in Hong Kong, Singapore and Frankfurt are evidence that this strategic positioning has been successful.

Thus far we have felt no material impact from the United Kingdom's decision to leave the European Union and London remains the second largest global data centre market by MW, second only to that of North Virginia (*451 Research Datacenter Knowledge Base 2017*). Global Switch has a diverse portfolio in both London and across Europe, so should there be movement from London, we are extremely well positioned in Europe to take advantage of any opportunities.

Finally, on behalf of the Board, I would like to thank our customers, employees and suppliers for their continued support over the past 12 months. We look forward to another successful year in 2018.



John Corcoran
Chief Executive Officer
6 April 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

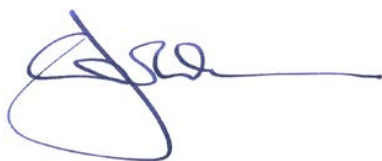
The Directors are required to prepare financial statements for each financial year and have elected to prepare the financial statements in accordance with IFRS as adopted by the European Union. In preparing these financial statements, International Accounting Standard ("IAS") 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Chief Executive's Statement includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole.



John Corcoran
Chief Executive Officer
6 April 2018

Report on the audit of the financial statements**Opinion****In our opinion the financial statements:**

- give a true and fair view of the state of the Group's affairs as at 31 December 2017 and of the Group's results for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union

We have audited the financial statements of Global Switch Holdings Limited and its subsidiaries ("the Group") which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated balance sheet;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> • Valuation of the investment properties; and • Recognition of revenue. <p>The key audit matters identified are consistent with those identified in the prior year.</p>
Materiality	The materiality that we used for the Group financial statements was £30 million which was determined as 1% of total equity.
Scoping	All components of the Group, with the exception of Hong Kong, were subject to a full scope audit. In addition, the valuation of investment properties was audited on a consolidated basis.
Significant changes in our approach	There are no significant changes in our approach compared to the prior year.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter description	How the scope of our audit addressed the key audit matter	Key observation
Valuation of the investment properties		
The Group investment properties portfolio amounts to £5,290.7 million (2016: £4,867.2 million) and consists of data centre properties operational and in development across Europe and Asia-Pacific.	We verified the accuracy of the tenancy information and other key inputs used by the Group's external valuers in performing their valuation by agreeing a sample to underlying lease agreements and other relevant third party evidence.	We concluded that the estimates used in the valuation of the Group's property portfolio were within the reasonable range.
The valuation of investment properties is a key audit matter due to its magnitude in the context of these financial statements and the potential fraud risk associated with the exercise of judgement required in making estimates, such as forecast rental yields and discount rates that underpin the valuation. The Group uses professionally qualified external valuers to fair value the Group's portfolio.	We met with the external valuers and assessed their independence, competence and integrity and with input from our internal real estate valuation specialists we evaluated the valuation methodology applied.	
See note 12 on page 34 and discussion within note 3 critical accounting estimates on page 27.	Our internal real-estate valuation specialists challenged the external valuers on the key assumptions used utilising their knowledge and expertise in the market at the macro level and the relevant geographies and through evaluating the key judgemental inputs with reference to comparable market benchmarks. We also researched comparable transactions and trends in analogous industries to inform our audit challenge.	

Key audit matter description	How the scope of our audit addressed the key audit matter	Key observation
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Recognition of revenue

The Group's revenue of £377.6 million (2016: 368.8 million) comprises rental and service fee income from investment properties and income from the provision of power and additional services. Recognition of rental income and service fee income (2017: £275.1 million; 2016: £258.5 million) is considered to be a key audit matter because of the complexities involved in the treatment of contractual rental indexations and lease incentives, the high volume of revenue transactions and the significance of revenue to the Group's investment property valuation and results.

See note 5 on page 30.

We evaluated the Group's policy in respect of revenue recognition in terms of the accounting standards.

For a sample of tenants, we verified the supporting lease documentation and recalculated the rental and service fee income including the impact of lease incentives and rental indexations on the basis of the contract terms and the Group's policy.

The Group's revenue recognition policy is in line with the applicable accounting standards and was applied consistently in 2017. We concluded that revenue is recognised in line with the policy.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£30 million (2016: £30 million)
Basis for determining materiality	Materiality has been determined to be 1% (2016: 1%) of total equity.
Rationale for the benchmark applied	We determined materiality with reference to total equity which is the key measure of shareholder wealth and is mainly derived from the investment property valuations.

We applied a lower threshold of £13 million (2016: 12.5 million) which equates to 5% (2016: 5%) of EBITDA for testing balances impacting EBITDA (as defined in Note 6).

We reported all audit differences in excess of £600,000 to the Audit Committee, as well as differences below that threshold that in our view warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

All components of the Group, with the exception of Hong Kong, were subject to a full scope audit. The Group audit team carried out audit procedures on the valuation of the investment property in Hong Kong and analytical review procedures in respect of the rest of the account balances in Hong Kong.

The Group audit team has performed the audit work on the parent entity, the UK components as well as on the valuation of the consolidated investment property balance. At the parent entity level we tested the consolidation process and carried out analytical procedures on the aggregated financial information. Component audit teams performed the audit work in respect of France, Germany, the Netherlands, Spain, Singapore and Australia. The Group audit team participated in component audit planning and risk assessment, reviewed the documentation supporting key findings and participated in the component audit close meetings.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report which includes the Chief Executive's Statement, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

Our audit work has been undertaken solely for the purpose of the company complying with the requirement of the Irish Stock Exchange and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Darren Longley FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
6 April 2018

GLOBAL SWITCH HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	Revenue Account £m	Capital Account £m	Total 2017 £m	Revenue Account £m	Capital Account £m	Total 2016 £m
Revenue	5	377.6	-	377.6	368.8	-	368.8
Cost of sales		(105.5)	-	(105.5)	(105.2)	-	(105.2)
Administration expenses		(7.6)	-	(7.6)	(9.5)	-	(9.5)
Operating profit before other gains/(losses)		264.5	-	264.5	254.1	-	254.1
Revaluation gain on investment properties	12	-	176.3	176.3	-	79.5	79.5
Operating profit	6	264.5	176.3	440.8	254.1	79.5	333.6
Finance income		0.5	-	0.5	(0.2)	-	(0.2)
Finance costs		(78.1)	-	(78.1)	(50.9)	-	(50.9)
Foreign exchange (losses)/gains		(4.4)	-	(4.4)	157.5	-	157.5
Other financing items		-	-	-	1.2	-	1.2
Net finance (costs)/income	9	(82.0)	-	(82.0)	107.6	-	107.6
Profit before tax		182.5	176.3	358.8	361.7	79.5	441.2
Current tax		(23.2)	-	(23.2)	(23.2)	-	(23.2)
Deferred tax		(1.7)	(0.9)	(2.6)	(0.4)	(14.5)	(14.9)
Tax expense	10	(24.9)	(0.9)	(25.8)	(23.6)	(14.5)	(38.1)
Profit for the year		157.6	175.4	333.0	338.1	65.0	403.1

The total column represents total consolidated income for the year (see note 2 for explanation).

All items dealt with in arriving at the total profit for the year relate to continuing operations.

The notes on pages 18 to 45 form an integral part of these financial statements.

GLOBAL SWITCH HOLDINGS LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2017

	2017 £m	2016 £m
Profit for the year	333.0	403.1
Items that will be reclassified subsequently to profit or loss		
Foreign exchange translation differences net of tax	(24.2)	164.3
Losses on a hedge of net investments taken to equity	(5.6)	(71.3)
Total comprehensive income for the year	303.2	496.1

The notes on pages 18 to 45 form an integral part of these financial statements.

GLOBAL SWITCH HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	2017 £m	2016 £m
Assets			
Non-current assets			
Investment properties	12	5,290.7	4,867.2
Intangible assets		2.0	1.1
Property, plant and equipment		1.4	4.3
Derivative financial instruments	25	12.6	19.0
		5,306.7	4,891.6
Current assets			
Inventory		2.0	1.6
Trade and other receivables	13	183.3	163.1
Cash and cash equivalents	14	437.9	166.0
Derivative financial instruments	25	10.2	21.0
		633.4	351.7
Total assets		5,940.1	5,243.3
Liabilities			
Non-current liabilities			
Borrowings	16	(1,243.0)	(926.9)
Deferred tax	17	(939.4)	(929.8)
		(2,182.4)	(1,856.7)
Current liabilities			
Borrowings	16	(270.3)	(182.8)
Trade and other payables	15	(135.9)	(146.3)
Current tax		(6.3)	(15.5)
		(412.5)	(344.6)
Total liabilities		(2,594.9)	(2,201.3)
Net assets		3,345.2	3,042.0
Equity			
Share capital	18	-	-
Retained earnings		2,799.6	2,466.6
Translation reserve		(88.8)	(64.6)
Hedging reserve	25	(90.9)	(85.3)
Other reserves		725.3	725.3
Total equity		3,345.2	3,042.0

These financial statements were approved by the Board of Directors and authorised for issue on 6 April 2018.



John Corcoran
Director

The notes on pages 18 to 45 form an integral part of these financial statements.

GLOBAL SWITCH HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES OF EQUITY

For the year ended 31 December 2017

	Share capital £m	Retained earnings £m	Translation reserve £m	Hedging reserve £m	Other reserves £m	Total £m
At 31 December 2015	-	2,076.7	(228.9)	(14.0)	725.3	2,559.1
Profit for the year		403.1	-	-	-	403.1
Other comprehensive income	-	-	164.3	(71.3)	-	93.0
Total comprehensive income	-	403.1	164.3	(71.3)	-	496.1
Dividends	-	(13.2)	-	-	-	(13.2)
At 31 December 2016	-	2,466.6	(64.6)	(85.3)	725.3	3,042.0
Profit for the year	-	333.0	-	-	-	333.0
Other comprehensive income	-	-	(24.2)	(5.6)	-	(29.8)
Total comprehensive income	-	333.0	(24.2)	(5.6)	-	303.2
Dividends	-	-	-	-	-	-
At 31 December 2017	-	2,799.6	(88.8)	(90.9)	725.3	3,345.2

The notes on pages 18 to 45 form an integral part of these financial statements.

GLOBAL SWITCH HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017

	Note	2017 £m	2016 £m
Operating activities			
Profit before tax		358.8	441.2
<i>Adjustments for</i>			
Finance income		(0.5)	0.2
Finance costs		78.1	50.9
Foreign exchange losses /(gains)		4.4	(157.5)
Other financing items		-	(1.2)
Depreciation of property, plant and equipment		1.7	0.1
Amortisation of intangibles		1.5	0.1
Revaluation gain on investment property		(176.3)	(79.5)
Movement in trade and other receivables		(20.6)	(77.1)
Movement in trade and other payables		(10.5)	40.4
Cash generated from operations		236.6	217.6
Interest received		0.5	(0.2)
Tax paid		(31.5)	(19.4)
Net cash flows from operating activities		205.6	198.0
Investing activities			
Purchase of property, plant and equipment		(1.0)	(1.5)
Construction of and improvements to investment properties		(240.8)	(110.9)
Net cash flows used in investing activities		(241.8)	(112.4)
Financing activities			
Dividend paid		-	(13.2)
(Repayment of) / proceeds from shareholder loans		(180.9)	180.9
Revolving credit facility fees		(3.2)	-
Proceeds from bank loans		299.5	585.5
Repayment of bank loans		(299.5)	(745.0)
Proceeds from bond issue		872.6	-
Repurchase of Euro denominated guaranteed notes		(263.4)	-
Repurchase of A\$ denominated guaranteed notes		(51.5)	-
Sale of Bonds		-	12.4
Interest paid		(63.6)	(50.9)
Net cash flows generated by / (used in) financing activities		310.0	(30.3)
Net increase in cash and cash equivalents		273.8	55.3
Cash and cash equivalents at beginning of year		166.0	103.9
Exchange movements		(1.9)	6.8
Cash and cash equivalents at end of year	14	437.9	166.0

The notes on pages 18 to 45 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. General information

Global Switch Holdings Limited (the “Company”) was incorporated on 7 March 2008 and is domiciled in the British Virgin Islands under the BVI Business Companies Act. The address of its registered office is 2nd Floor, O’Neal Marketing Associates Building, PO Box 3174, Road Town, Tortola, British Virgin Islands.

The Company is jointly controlled by Aldersgate Investments Limited and Elegant Jubilee Limited, both of which are incorporated and domiciled in the British Virgin Islands. The ultimate parent company of Aldersgate Investments Limited is Landal Worldwide Corp, a company incorporated and domiciled in the British Virgin Islands. The ultimate parent company of Elegant Jubilee Limited is Suzhou Qingfeng Investment Management Co. Ltd, a company registered in The People’s Republic of China.

2. Significant accounting policies

Basis of preparation

The consolidated financial statements are prepared in accordance with IFRS as adopted by the European Union.

The consolidated financial statements have been prepared under the historical cost convention as modified by the valuation of investment properties and financial instruments at fair value through the profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of the assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. It also requires the Directors to exercise their judgement in the process of applying the Group’s accounting policies. Any revisions to estimates are accounted for prospectively.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Accounting period

The reference accounting period is the year to 31 December.

Going concern

Based on the Group’s cash flow forecasts, available cash balances, undrawn credit facilities and forecast headroom in respect of the covenants under the Group’s revolving credit facility and guaranteed notes programmes, the Directors have at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and at least for the next twelve months following the date of issuance of these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to give it power, including:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2. Significant accounting policies (continued)

Basis of consolidation (continued)

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where subsidiaries adopt accounting policies that are different from the Group, their reported results are restated to comply with the Group's accounting policies. Where subsidiaries do not adopt accounting periods that are co-terminus with the Group, results and net assets are based on accounts drawn up to the Group's accounting reference date.

Intercompany transactions and balances between Group companies are eliminated on consolidation.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair value on the acquisition date. Any excess in the cost of an acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired then the difference is recognised immediately in the income statement.

Income statement

The consolidated income statement presents the results of the Group in three columns. The total column represents total consolidated income for the year. The capital account includes investment property revaluations, gains and losses on disposal and their related taxation. The revenue account represents total consolidated income for the year less investment property revaluations, gains and losses on disposal and their related taxation.

Foreign currency transactions and translation

Functional and presentation currency

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 Pounds Sterling ("£"), which is the Company's and Group's functional and presentation currency.

2. Significant accounting policies (continued)

Foreign currency transactions and translation (continued)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when recognised in equity as qualifying cash flow hedges or qualifying net investment hedges.

Group companies

Assets and liabilities of overseas subsidiaries are translated at the closing rates of exchange at the balance sheet date. Trading results of overseas subsidiaries are translated at average rates of exchange or at spot rate for significant items. Differences resulting from the retranslation of opening net assets and results for the period at closing rates are recognised in the statement of comprehensive income.

Investment properties

The Group's investment properties are stated at fair value, being the market value as determined by independent professionally qualified valuers. Changes in fair value are recognised in the income statement.

All costs directly associated with the purchase, construction and improvements of investment properties are capitalised.

Where an incentive (such as a rent or service fee free period) is given to a customer, the carrying value of the investment property excludes any amount reported as a separate asset as a result of recognising rental or service fee income on a straight-line basis over the period of the contract term.

Gains and losses on disposals of investment properties are determined by comparing the proceeds on disposal, net of disposal costs, with the carrying amount, and are recognised in the income statement when the risks and rewards of ownership pass from the seller to the buyer.

Leasehold properties

Leasehold properties that are leased out to customers under operating leases are classified as investment properties and included in the balance sheet at fair value.

The obligation to the freeholder or the superior leaseholder is included in the balance sheet at the present value of the minimum lease payments at inception. Payments to the leaseholder or superior freeholder are apportioned between a finance charge and a reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents payable, such as rent reviews or those related to rental income, are charged as an expense in the periods in which they are incurred.

Depreciation

In accordance with IAS 40 Investment Property, no depreciation is provided in respect of investment properties which are carried at fair value.

Customer contracts

The Directors have exercised judgement in considering the potential transfer of the risks and rewards of ownership in accordance with IAS 17 Leases for all properties contracted to customers and have determined that such contracts are accounted for as operating leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2. Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged to the income statement on a straight-line basis over the estimated useful life as follows:

- Fixtures and fittings - 3 years; and
- Computer equipment - 3 years.

Intangible assets:

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over their estimated useful lives of 3 years.

Impairment of assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the asset's value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Lease obligations

Finance leases

Lease arrangements that transfer substantially all the risks and rewards of ownership to the lessee are treated as finance leases. Assets held under finance leases are capitalised either within investment properties or property, plant and equipment, depending on the nature of the asset. Finance leases included within property, plant and equipment are depreciated over the shorter of the lease term and the useful life of the asset. A liability is recognised at the present value of the minimum lease payments within current and/or non-current liabilities as appropriate. Rental payments are apportioned between capital and interest expense to achieve a constant rate of interest charge on the outstanding obligation.

Operating leases

Where the Group acts as a lessee in an operating lease agreement, the lease payments are charged as an expense to the income statement on a straight-line basis over the lease term. Lease incentives received are also recognised on a straight-line basis over the period of the lease.

Segmental information

Whilst the Group operates in a number of geographic locations and provides add-on services to its customers, these do not meet the definition of different segments under IFRS 8 and therefore the Group has only one reportable class of business being a carrier neutral, multi-tenanted wholesale data centre provider for customers to house their IT infrastructure.

The Directors have not presented a geographic analysis of revenue and gross assets. They believe that such information is not material to the users of the financial statements particularly given the Group's financial performance and the disclosures on investment property provided in Note 12.

Revenue

Rental and service fee income from investment properties

Rental and service fee income from investment properties contracted out to customers under operating leases are recognised in the income statement on a straight-line basis over the contract term including any fixed indexation. Incentives are amortised over the contract term.

2. Significant accounting policies (continued)

Revenue (continued)

Provision of power

Electricity revenue is recognised in the period in which the electricity was drawn by the customer.

Provision of additional services and other revenue

Additional services include power administration, the provision of sub ducts, cross connect installation and management, managed services reporting, cleaning and access management. Revenue from additional services is recognised when the service is provided.

Income from fitting out customer areas is recognised in the income statement on a percentage completion basis when the outcome of the project can be reasonably foreseen. Provision is made in full for estimated losses. Where the outcome of the project cannot be foreseen, profit is taken on completion.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Taxation

Current and deferred tax is recognised in the income statement except where the taxation arises as a result of a transaction or event that is recognised directly in equity. Tax arising on transactions or events recognised directly in equity is charged or credited directly to equity.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax liabilities are recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statements. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available in the future for them to be utilised. Such assets and liabilities are not recognised where temporary differences arise from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is determined using tax rates and laws that have been enacted by the balance sheet date and are anticipated to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax is charged to the income statement, except when it relates to items charged or credited in other comprehensive income.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

2. Significant accounting policies (continued)**Provisions (continued)**

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial assets

The Group classifies its financial assets as loans and receivables.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables consist of trade and other receivables and cash and cash equivalents.

Trade and other receivables

Trade receivables are initially measured at fair value. They are subsequently measured at amortised cost using the effective interest method, less any impairment. A provision for impairment of trade receivables is established where there is significant objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. On confirmation that the trade receivable will not be collectible, the gross carrying value of the asset is written off against the associated provision.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Financial liabilities

The Group classifies its financial liabilities as other financial liabilities. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Trade and other payables

Trade and other payables are recognised at original invoice amount. Due to their short-term nature this approximates their fair value.

Bank loans, related party borrowings and guaranteed notes

Bank loans, related party borrowings and the guaranteed notes, are initially recognised at fair value net of any transaction costs directly attributable to the issue of the loan. These interest bearing liabilities are subsequently measured at amortised cost.

Derivative Financial Instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. The effective portion of the derivative instruments is recognised in other comprehensive income as "other financing items".

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

2. Significant accounting policies (continued)

Financial liabilities (continued)

The hedging reserve represents the cumulative amount of gains and losses on net investment hedges. The cumulative deferred gain or loss on net investment hedges is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

De-recognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group obligations are discharged, cancelled or expire.

Hedges of net investments in foreign operations

The Group designates its derivative instruments as hedges of net investments in foreign operations. Hedges of net investments in foreign operations are accounted for similarly as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and can be observed in the Statement of Changes in Equity and accumulated in a hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other financing items' line item.

Share capital

Ordinary shares are classified as equity.

Reserves

Translation reserve

The translation reserve represents cumulative gains or losses recognised on retranslating the net assets of overseas operations into Sterling.

Retained earnings

Retained earnings represent the cumulative net gains and losses recognised in the consolidated income statement less cumulative dividends to the shareholders.

Hedging reserve

The hedging reserve represents the cumulative amount of gains and losses on net investment hedges. The cumulative deferred gain or loss on net investment hedges is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Other reserves

Other reserves represent the net of capital contributions from the parent Company and the merger reserve which arose from the application of merger accounting.

Capital

The Group considers its capital to comprise its ordinary share capital, other reserves, translation reserve, hedging reserve and retained earnings. In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions. The Group has a blend of equity funding and debt financing. The Group keeps this under review bearing in mind the risks, costs and benefits to equity shareholders of introducing additional debt finance to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2. Significant accounting policies (continued)**Application of new IFRS's and interpretations**

In the current year, the following new and revised Standards and Interpretations have been adopted by the Company, none of which had a material impact on the current or prior year reported results:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Clarification of how to evaluate of sufficiency of future taxable profit to recognise Deferred Tax Assets
Annual Improvements	Annual improvements to IFRSs 2014-2016 Cycle

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU).

IFRS 2 (amendments)	Classification and Measurement of Share-based Payments
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Annual Improvements	Annual Improvements to IFRSs 2014-2016 cycle
Amendments to IAS 40	Transfers of Investment Property
IFRIC 22	Foreign Currency Transactions and Advance Consideration
IFRIC 23	Uncertainty over Income Tax Treatments

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods except IFRS 9, IFRS 15 and IFRS 16.

IFRS 9 Financial Instruments:

This standard deals with classification, measurement and recognition of financial assets and liabilities and replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement. Having carried out an assessment of the standard the impact is immaterial from an earnings and net asset value perspective. However, it will require some presentational changes to the financial statements and hedging documentation may be amended to reflect the requirements of the new standard.

The introduction of the new expected credit losses model, that replaces the incurred loss impairment model, will not have a material financial impact for the provisioning for the Group's trade receivables, although some presentational changes will be required.

IFRS 15 Revenue from Contracts with Customers:

This standard is based on the principle that revenue is recognised when control passes to a customer. The majority of the Group's income is from customer contracts which are accounted for under IFRS 16 and are thus outside the scope of the new standard. However, certain income streams, such as power administration, service charge income and management fees are within the scope of this standard.

Having undertaken a review of the implications of the new standard the financial impact will be immaterial. The Group will amend the presentation of the relevant income and costs within operating profits such that these are aggregated into new "Revenue" and "Costs" lines in the income statement, with further presentational amendments in the notes to the financial statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2. Significant accounting policies (continued)**Application of new IFRS's and interpretations (continued)***IFRS 16 Leases:*

The standard does not impact the Group's financial position as a data centre operator or the Group's rental and service fee income from its investment properties.

The standard requires lessees to recognise a right-of-use asset and related lease liability representing the obligation to make lease payments. Interest expense on lease liability and depreciation on the right-to-use asset will be recognised in the income statement. Having reviewed the Group's current operating leases, the directors assess the net impact on the income statement to not be material.

Financial risk management

The Group is exposed to market risk in the form of foreign exchange risk, interest rate risk and price risk in addition to credit risk and liquidity risk. The risk management policies employed by the Group to manage these risks are discussed below.

Market risk*Foreign exchange risk*

The Group operates in a number of international territories. Each jurisdiction undertakes a large proportion of its commercial transactions within its local market and in its functional currency. Foreign exchange risk arises from the small proportion of commercial transactions undertaken in currencies other than the local functional currency, from financial assets and liabilities denominated in currencies other than the local functional currency and on the Group's net investments in foreign operations.

Group policy is for each jurisdiction to undertake commercial transactions in its own functional currency whenever possible. Where this is not possible the Group manages its cash position across the Group to minimise the need to translate currency. Cash flow forecasts are prepared covering various periods to ensure sufficient funds are available in the required currencies to meet the Group's obligations as they fall due.

Global Switch has not and does not currently intend to enter into hedging transactions in relation to the interest and capital repayments associated with the outstanding €303 million Guaranteed Notes due 2018, £350 million Guaranteed Notes due 2022, A\$12.88 million Guaranteed Notes due 2020, €500 million Guaranteed Notes due 2024 or €500 million Guarantee Notes due 2027.

The United Kingdom's exit from the European Union and the uncertainty during the period before an exit increases the risk in relation to the value of the results or profits derived from EUR, SGD, AUD and HKD denominated transactions.

Global Switch's policy is to hedge the risk of changes in relevant spot exchange rates to the extent that they are expected to impact on EBITDA. Global Switch uses forward exchange contracts as hedges of net investments from foreign operations to the extent required. All derivatives are entered into with counterparties who are considered to be of acceptable creditworthiness. The year end and average exchange rates used when translating the results for the year to Sterling were as follows:

	2017		2016	
	Year end	Average	Year end	Average
Euro	0.8886	0.8726	0.8533	0.8172
Singapore Dollar	0.5538	0.5626	0.5603	0.5344
Australian Dollar	0.5787	0.5966	0.5840	0.5479
Hong Kong Dollar	0.0948	0.1003	0.1046	0.0951

Had the year end and average Sterling exchange rates been 30% stronger/weaker, then the impact on the Group's financial instruments would have resulted in the profit for the year being £94.3 million lower/higher (2016: £46.6 million lower/higher) and would have decreased/increased equity by £969.8 million (2016: £838.6 million decrease/increase). 30% was used as a conservative benchmark to reflect the potential Sterling volatility associated with ongoing Brexit negotiations.

2. Significant accounting policies (continued)*Interest rate risk*

The Group's exposure to interest rate risk arises from cash and cash equivalents, and variable interest bearing borrowings. The majority of these are at floating rates of interest or fixed deposits of less than six months. Changes in the interest rates result in changes to the interest charges or income in the income statement and to interest related cash flows. No interest rate hedging is currently undertaken by the Group or its subsidiaries.

Had the average LIBOR interest rate over the course of the year applicable to cash and cash equivalents and borrowings increased by 100bp, then the profit for the year and net assets would have decreased by £0.6 million (2016: decreased by £0.6 million). Had the average LIBOR interest rates decreased by 100bp, then the profit for the year and net assets would have increased by £0.6 million (2016: increased by £0.6 million).

Price risk

The Group does not have any equity securities in its balance sheet and it is not materially exposed to commodity price risk. Most customer contracts include indexation clauses that are applied to rental and service fee income to offset the effect of inflation. The Group is exposed to price risk to the extent that inflation differs from the index used.

Credit risk

Credit risk is the risk that the Group will suffer financial loss as a result of counterparties defaulting on their contractual obligations. The risk arises on cash and cash equivalents, trade and other receivables and in relation to the foreign exchange forward contracts that the Company has entered into.

The Company's credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The majority of the Group's customers consist of investment grade credit quality companies or companies whose parents are of investment grade credit quality. Thus the credit risk of default on significant amounts of trade and other receivables is assessed as low. The Group has considered the counterparty risk associated with the foreign exchange forward contracts that it has entered into.

For trade and other receivables an assessment of credit quality is made as part of the Group's customer acceptance procedures using a combination of external rating agencies, past experience and other factors. In circumstances where credit information is unavailable or the customer is assessed as higher risk, the risk is mitigated by the use of modified payment terms, customer deposits and parent and bank guarantees. Exposure and payment performance is monitored closely at an individual customer level, with a series of escalating debt recovery actions taken where necessary.

Liquidity risk

The Group funds its activities through cash generated from its operations and, where necessary, bank borrowing. The Group's banking facilities include a multicurrency revolving syndicated loan facility. Cash flow forecasts covering various periods from short to long-term are prepared and reviewed on a regular basis to ensure that sufficient funds are available to meet the Group's commitments as they fall due.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are:

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Estimate of fair value of investment properties

Investment properties are the largest component of the Group's net asset value. The value of the investment properties is affected by the conditions prevailing in the property investment market and the general economic environment. Accordingly, the Group's net asset value can change due to external factors beyond management's control.

The Group determines the value of investment properties using discounted cash flow valuation techniques performed by external professionally qualified valuers. Information about the valuation techniques and inputs used in determining the value of investment properties is disclosed in Note 12.

Deferred Taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computations of taxable profit and is accounted for using the balance sheet liability method. In accordance with IAS 12 Income Taxes, a deferred tax liability has been provided in respect of increased property values.

Deferred tax liabilities are recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statements. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available in the future for them to be utilised.

Deferred tax is determined using tax rates and laws that have been enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. Financial instruments

The principal financial instruments used by the Group include trade receivables, other receivables, amounts due from related parties, cash and cash equivalents, trade payables, other payables, accruals, floating rate bank loans, guaranteed notes, derivatives and dividends payable.

A summary of the financial instruments held by category is provided below:

Financial assets

	Note	Loans and receivables	
		2017	2016
		£m	£m
Trade receivables	13	68.0	57.5
Other receivables	13	12.3	2.2
Amounts due from related parties	13	0.4	-
Cash and cash equivalents	14	437.9	166.0
		518.6	225.7

Derivative Assets

	Note	2017	2016
		£m	£m
Current derivatives	25	10.2	21.0
Non-current derivatives	25	12.6	19.0
		22.8	40.0

Financial liabilities

	Note	Financial liabilities at amortised cost	
		2017	2016
		£m	£m
Trade payables	15	10.2	21.0
Amounts due to related parties	15	1.3	23.1
Social security and other taxation	15	5.5	7.5
Other payables	15	6.4	5.5
Bank loans and borrowings	16	1,513.3	1,109.7
		1,536.7	1,166.8

A summary of the impact of the financial instruments by category in the income statement and equity is provided below:

	Note	Income Statement	
		2017	2016
		£m	£m
Loans and receivables	9	0.5	(0.2)
Financial liabilities	9	(75.0)	(50.9)
Derivatives	9	(3.1)	17.5
		(77.6)	(33.6)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. Financial instruments (continued)

	Note	Other Comprehensive Income	
		2017	2016
		£m	£m
Derivatives	25	(5.6)	(71.3)
		(5.6)	(71.3)

The fair value is the amount for which an asset or liability could be exchanged or settled on an arm's-length basis. For financial instruments carried at fair value, market prices or rates are used to determine fair value where an active market exists.

The Group uses forward prices for valuing forward foreign exchange contracts and uses valuation models with present value calculations based on market yield curves for cross-currency forwards. All derivative financial instruments are shown at fair value in the Consolidated Balance Sheet.

Under IAS 39 Financial Instruments: Recognition and Measurement, only the portions of the forward contracts which form part of an effective fair value hedge are carried at fair value in the Consolidated Balance Sheet. The majority of the Group's medium-term bonds and other fixed-term debt are in effective cash flow and net investment hedges and are therefore held at amortised cost.

The fair values of financial assets and liabilities which bear floating rates of interest are estimated to be equivalent to their book values. IFRS 7 Financial Instruments: Disclosures requires the classification of fair value measurements using the fair value hierarchy that reflects the significance of the inputs used in making the assessments.

All of the Group's derivatives are Level 2 financial instruments in accordance with the fair value hierarchy, where inputs are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

5. Revenue

The Group's revenue arises from the following:	2017	2016
	£m	£m
Rental and service fee income from investment properties	275.1	258.5
Provision of power	58.8	53.8
Provision of additional services and other revenue	43.7	56.5
	377.6	368.8

The Group's customer base is broad and diversified with only one customer accounting for more than 10% of the Group's total revenue and that customer is contractually and geographically diversified having entered into multiple contracts across eight of the Group's eleven data centres, with total revenue of £38.5 million (2016: £43.3 million).

6. Operating profit

Operating profit is stated after charging/(crediting):	Note	Income Statement	
		2017	2016
		£m	£m
Employee benefit expense	8	13.3	17.0
Depreciation of property, plant and equipment		1.7	0.1
Amortisation of intangibles		1.5	0.1
Direct operating expenses - Property		92.1	87.6
Operating lease expense - Property		0.2	0.2
Other administrative expenses		4.4	7.6
Revaluation gain on investment properties	12	(176.3)	(79.5)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

6. Operating profit (continued)

Reconciliation between Operating Profit and EBITDA

	2017	2016
	£m	£m
Operating profit	440.8	333.6
Add Depreciation of property, plant and equipment	1.7	0.1
Add Amortisation of intangibles	1.5	0.1
Less Revaluation of investment property	(176.3)	(79.5)
EBITDA	267.7	254.3

7. Services provided by the Group's auditor

During the year the Group obtained the following services from the Group's auditor at costs detailed below:

	2017	2016
	£m	£m
Audit of Group financial statements	0.2	0.5
Audit of financial statements of subsidiaries	0.2	0.2
Total audit services	0.4	0.7
Other services	0.1	-
Total non-audit services	0.1	-
Total	0.5	0.7

The audit fees for 2016 includes the fee for the audit of the financial statements for the year ending 31 December 2016 and comparative period of 31 December 2015.

8. Employee benefit costs

The number of full-time equivalent people (including executive Directors) employed by the Group:

	2017	2017	2016	2016
	Average	Year end	Average	Year end
	Number	Number	Number	Number
Property management	113	121	107	105
Sales	19	15	21	22
Administration	69	81	59	58
Group total	201	217	187	185

Aggregate employee benefit costs of those people amounted to:

	2017	2016
	£m	£m
Wages, salaries and performance related bonuses	10.7	14.7
Social security costs	1.7	1.4
Retirement benefit costs - defined contribution schemes	0.9	0.9
	13.3	17.0

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

8. Employee benefit costs (continued)

Key management compensation

Key Management comprises the Chief Executive Officer, the Chief Financial Officer, the Group Operations Director, the Group Director, Marketing and Communications, the Group Director, UK, the Group Director, Asia-Pacific and the Group Director, Europe. The compensation borne by the Group for key management is:

	2017	2016
	£m	£m
Salaries, incentives, bonuses, benefits and consultancy fees	2.8	2.2
Retirement benefit costs	0.2	0.1
	3.0	2.3

9. Net finance (costs)/income

	2017	2016
	£m	£m
Bank and other interest	0.5	(0.2)
Finance income	0.5	(0.2)
Interest payable on bank loans	(0.5)	(1.4)
Other finance cost	(7.2)	(1.0)
Interest payable on guaranteed notes	(47.8)	(44.6)
Premium on repurchase of guaranteed notes	(18.1)	-
Bank loan facility fee	(0.6)	(2.8)
Hedging finance costs	(3.1)	-
Amortisation of issue costs	(0.8)	(1.1)
Finance costs	(78.1)	(50.9)
Foreign exchange (loss)/gain	(4.4)	157.5
Other	-	1.2
Other financing item	-	1.2
Net finance (costs)/income	(82.0)	107.6

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

10. Tax

a) *Analysis of charge for the year*

	2017 £m	2016 £m
Current tax expense		
On net income before revaluations	23.2	23.2
Total current tax expense	23.2	23.2
Deferred tax expense		
Current period	50.7	26.0
Prior period adjustment	9.6	-
Reduction in tax rate	(57.7)	(11.1)
Total deferred tax expense	2.6	14.9
Tax expense	25.8	38.1

b) *Factors affecting tax charge for the year*

	2017 £m	2016 £m
Profit before tax	358.8	441.2
Tax calculated at the domestic rate applicable to the profits in each country concerned	74.7	50.9
Permanent differences	1.2	0.4
Losses carried forward	-	0.5
Other deferred tax adjustments	(3.0)	(2.6)
Other taxes	1.0	-
Adjustment in relation to prior periods	9.6	-
Reduction in tax rate	(57.7)	(11.1)
Tax charge	25.8	38.1

The tax calculations take into consideration future changes substantively enacted in jurisdictions when determining the appropriate level of deferred tax to be provided on future reversals. During the year, the French and Dutch Governments announced reductions in their corporation tax rate in future periods and these changes were substantively enacted at the year end. The 33.3% and 25% tax rates previously used to calculate the reversal of deferred tax have reduced to 25% and 21% respectively. This had the one off effect of reducing the deferred taxation charge for the year by £57.7m.

The weighted average statutory tax rate across the Group's countries of operation was 20.7% (2016: 11.5%).

Certain companies in the Group have tax periods that remain open. In preparing the financial statements the Directors have made an assessment of the likelihood of any liabilities arising in relation to these open periods and have made provisions for amounts that they believe will be payable. There remains a risk that the amounts at which open periods are settled will be different to the amounts included in the financial statements however the Directors believe that any differences are unlikely to be material.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

11. Dividends

	2017 £m	2016 £m
Amounts recognised as distributions to equity holders in the period:		
Dividends paid	-	13.2
	-	13.2

Dividends for the year ended 31 December 2017 represents £nil per share (2016: £0.13 million per share).

12. Investment properties

	2017 Completed £m	2017 Development £m	2017 Total £m	2016 Completed £m	2016 Development £m	2016 Total £m
At 1 January	4,478.7	377.7	4,856.4	4,018.7	154.7	4,173.4
Additions	188.0	52.8	240.8	30.9	80.0	110.9
Transfers	239.6	(239.6)	-	-	-	-
Revaluation – investment property	61.9	116.3	178.2	(20.0)	99.5	79.5
Difference on exchange	32.9	(26.5)	6.4	449.1	43.5	492.6
	5,001.1	280.7	5,281.8	4,478.7	377.7	4,856.4
Finance lease asset at 1 January	10.8	-	10.8	10.8	-	10.8
Revaluation – lease asset	(1.9)	-	(1.9)	-	-	-
	8.9	-	8.9	10.8	-	10.8
At 31 December	5,010.0	280.7	5,290.7	4,489.5	377.7	4,867.2

All of the Group's properties are Level 3, as defined by IFRS 13 Fair Value Measurement, in the fair value hierarchy as at 31 December 2017 and there were no transfers between levels during the year. Level 3 inputs are those which are unobservable (no quoted prices are available either directly or indirectly), as opposed to Level 1 (inputs from quoted prices) and Level 2 (observable inputs either directly as quoted prices, or indirectly derived from quoted prices).

Investment properties are stated at market value as at 31 December 2017 and 2016, valued by professionally qualified external valuers. The Group's properties were valued by CBRE Limited ("CBRE") who have sufficient current and international knowledge of the particular property market involved, and have the skills and understanding to undertake the valuations competently. The valuations were prepared in accordance with the RICS Valuation Standards.

Market value is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. CBRE use a variety of valuation techniques (valuation metrics) which include yield methodology, IRR and market value analysis including comparable recent market transactions on arm's length terms. There have been no changes in the valuation techniques used by CBRE between 2017 and 2016.

An increase/decrease to rental value will increase/decrease valuations, while an increase/decrease to yield decreases/increases valuations. There are interrelationships between all these inputs as they are determined by market conditions. The existence of an increase in more than one input would be to magnify the input on the valuation. The impact on the valuation will be mitigated by the interrelationship of two inputs in opposite directions, e.g. an increase in rent may be offset by an increase in yield.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

12. Investment properties (continued)

Asset Type	Valuation 31/12/17		Combined Property Portfolio £m	Inputs 31/12/17			Rental Value Range £m
	Completed £m	Land & Development £m		Initial Yield range	Exit Yield range	IRR range	
Data Centres	5,093.4	280.7	5,374.1	2.50 – 5.86%	6.75 – 7.75%	7.00 – 10.25%	£10.5-68
Group Total	5,093.4	280.7	5,374.1	2.50 – 5.86%	6.75 – 7.75%	7.00 – 10.25%	£10.5-68

Asset Type	Valuation 31/12/16		Combined Property Portfolio £m	Inputs 31/12/16			Rental Value Range £m
	Completed £m	Land & Development £m		Initial Yield range	Exit Yield range	IRR range	
Data Centres	4,570.0	377.7	4,947.7	3.60 – 6.01%	7.25 – 7.50%	7.50 – 9.75%	£7-60
Group Total	4,570.0	377.7	4,947.7	3.60 – 6.01%	7.25 – 7.50%	7.50 – 9.75%	£7-60

Investment property values for each location are as follows:

Location	Country	Ownership	Value 2017 £m	Value 2016 £m
Amsterdam	The Netherlands	Leasehold (50 year term expiring 2045)	598.1	591.8
Frankfurt	Germany	Freehold	165.6	155.2
London North	United Kingdom	Freehold	344.9	333.1
London East	United Kingdom	Freehold	1,146.8	1,122.6
Madrid	Spain	Freehold	203.4	194.9
Paris East	France	Freehold	257.9	234.5
Paris West	France	Freehold	284.7	258.6
Singapore	Singapore	Leasehold (30 year term expiring 2023)	639.8	694.2
Sydney West	Australia	Freehold	824.1	804.4
Sydney East	Australia	Freehold	353.1	180.7
Hong Kong	Hong Kong	Leasehold (35 year term expiring 2047)	275.0	-
Total Completed			5,093.4	4,570.0

Location	Country	Ownership	Value 2017 £m	Value 2016 £m
Hong Kong	Hong Kong	Leasehold (35 year term expiring 2047)	112.7	228.0
Singapore Woodlands	Singapore	Leasehold (30 year term expiring 2039)	120.9	33.8
Sydney East	Australia	Freehold	-	74.9
Amsterdam	The Netherlands	Leasehold (50 year term expiring 2045)	23.2	20.4
Frankfurt North	Germany	Freehold	14.9	12.1
London South	United Kingdom	Freehold	9.0	8.5
Total Development			280.7	377.7
Investment properties at valuation			5,374.1	4,947.7

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

12. Investment properties (continued)

Finance lease liabilities of £8.9 million (2016: £9.8 million) are split between current £1.9 million (2016: £1.9 million) and non-current £7.0 million (2016: £7.9 million), with corresponding liabilities shown in obligations under finance leases in the table below. Valuation fees are based on a fixed amount agreed by the Group and the valuers and are independent of the property value.

The table below shows a reconciliation of the amounts shown in the balance sheet in respect of investment property assets and liabilities to the valuation prepared by the valuers.

	2017 £m	2016 £m
Investment properties	5,290.7	4,867.2
Accrued income included in trade and other receivables	92.3	90.3
Obligations under finance leases included in current borrowings	(1.9)	(1.9)
Obligations under finance leases included in non-current borrowings	(7.0)	(7.9)
Investment properties at valuation	5,374.1	4,947.7

The following table sets out the split of investment properties between freehold and leasehold properties:

	2017 £m	2016 £m
Freehold	3,992.1	3,607.5
Leasehold	1,382.0	1,340.2
Investment properties at valuation	5,374.1	4,947.7

Properties subject to leasehold ownership, excluding that of Hong Kong, all provide statutory renewal rights to the Group.

As at 31 December 2017 the Group had capital commitments in relation to expenditure on investment properties as follows:

	2017 £m	2016 £m
Capital commitments	142.8	180.3

13. Trade and other receivables

	2017 £m	2016 £m
Current		
Trade receivables - gross	71.9	62.4
Provision for impairment of trade receivables	(3.9)	(4.9)
Trade receivables - net	68.0	57.5
Other receivables	12.3	0.6
Amounts due from related parties	0.4	-
Prepayments and accrued income	102.6	105.0
	183.3	163.1

The Directors consider the carrying amount of trade and other receivables approximates their fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

13. Trade and other receivables (continued)

At 31 December 2017 £44.9 million (2016: £37.2 million) of trade receivables were within normal payment terms and considered to be fully performing. A further £27.0 million (2016: £25.2 million) were past the due date of which £10.0 million (2016: £11.3 million) were overdue by 3 months or more. The ageing of trade debtors past their due date is as follows:

	30 Days £m	60 Days £m	90+ Days £m	Total £m
Trade debtors - past due date	13.3	3.7	10.0	27.0

Movements in the provision for impairment of trade receivables were as follows:

	2017 £m	2016 £m
Provision for impairment at beginning of year	4.9	2.9
Increase in provisions	-	2.4
Release of provisions	(1.0)	(0.4)
Provision for impairment at end of year	3.9	4.9

14. Cash and cash equivalents

	2017 £m	2016 £m
Cash at bank and in hand	435.2	162.0
Customer deposits	2.3	3.6
Restricted cash	0.4	0.4
	437.9	166.0

Restricted cash represents cash held in escrow in relation to commitments due under the terms of the construction contract for the development of the Group's Paris West data centre.

15. Trade and other payables

	2017 £m	2016 £m
Trade payables	10.2	21.0
Social security and other taxation	5.5	7.5
Accruals	56.1	46.3
Deferred income	56.4	42.9
Other payables	6.4	5.5
Amounts due to related parties	1.3	23.1
	135.9	146.3

The Directors consider the amount of trade and other payables approximates their fair value. All trade and other payables are payable within one year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

16. Borrowings

	2017 £m	2016 £m
Current		
Obligations arising from shareholder loans	-	180.9
Obligations under finance leases	1.9	1.9
Guaranteed notes	268.4	-
Current borrowings	270.3	182.8
Non-current		
Bank loans*	(2.3)	-
Obligations under finance leases	7.0	7.9
Guaranteed notes	1,238.3	919.0
Non-current borrowings	1,243.0	926.9
Total borrowings	1,513.3	1,109.7

*The £2.3m in respect of bank loans relates to unamortised debt issue costs on the undrawn revolving credit facility.

The Directors consider the carrying amount of the bank loans and finance lease obligations approximates their fair value. Based on the quoted mid-point of the bid and offer price as at 31 December 2017 the fair value of the:

- 5.5% guaranteed note €303 million was £274.3 million (2016: €600 million outstanding and £547.2 million fair value) maturing 2018.
- 4.375% guaranteed note £350 million was £393.3 million (2016: £388.2 million) maturing 2022.
- 6.25% guaranteed note A\$12.88 million was £8.1 million (2016: A\$100 million outstanding and £62.5 million fair value) maturing 2020.
- 1.5% guaranteed note €500 million was £452.0 million (2016: nil) maturing 2024
- 2.25% guaranteed notes €500 million was £460.6 million (2016: nil) maturing 2027.

A new revolving credit facility of £425 million was agreed in February 2017 on enhanced terms with a syndicate of five banks. The new facility matures in April 2021, with the option of two further one year extensions and is undrawn at 31 December 2017.

In May 2017, two guaranteed note issuance of €500 million each (due in 2024 and 2027) were issued with funds received and being used to repurchase €296 million of the 2018 €600 million guaranteed notes at a €14 million premium and fully repay the outstanding balance on the revolving credit facility. In September 2017, following a tender offer, A\$87.1 million of the A\$100 million 2010 guaranteed notes were repurchased at a A\$8.7 million premium. The excess funds will be used to fund new developments as well as repay the remaining outstanding 5.5% guaranteed notes at maturity on 18 April 2018.

Interest on bank loans is charged at floating rates of interest by reference to either LIBOR or EURIBOR plus a margin. The loan facility includes a number of financial covenants. The guarantors under the loan facility and guaranteed notes are set out in note 24.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

16. Borrowings (continued)

The Group's borrowings are denominated in the following currencies:

	Bank loans	Shareholder loans	Obligations under finance leases	Guaranteed notes	2017 Total
	£m	£m	£m	£m	£m
2017					
Sterling	(2.3)	-	-	348.8	346.5
Singapore dollars	-	-	4.7	-	4.7
Australian dollars	-	-	-	7.5	7.5
Hong Kong dollars	-	-	-	-	-
Euro	-	-	4.2	1,150.4	1,154.6
	(2.3)	-	8.9	1,506.7	1,513.3

	Bank loans	Shareholder loans	Obligations under finance leases	Guaranteed notes	2016 Total
	£m	£m	£m	£m	£m
2016					
Sterling	-	125.3	-	347.8	473.1
Singapore dollars	-	-	4.6	-	4.6
Australian dollars	-	-	-	58.8	58.8
Hong Kong dollars	-	55.6	-	-	55.6
Euro	-	-	5.2	512.4	517.6
	-	180.9	9.8	919.0	1,109.7

The minimum lease payments under finance leases fall due as follows:

	2017 £m	2016 £m
Less than one year	1.9	1.9
Between one and five years	8.2	7.8
More than five years	0.7	2.8
	10.8	12.5
Future finance charges	(1.9)	(2.7)
	8.9	9.8
Less than one year	1.9	1.9
Between one and five years	6.5	6.3
More than five years	0.5	1.6
Present value of finance lease payables	8.9	9.8

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The amounts shown in the table below under variable interest rate instruments and shown as repaid within one year. The table includes both interest and principal cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

16. Borrowings (continued)

	Weighted average effective interest rate %	Within one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
2017						
Trade and other payables		135.9	-	-	-	135.9
Bank loans and borrowings- Fixed interest rate instruments	5.50%	284.1	-	-	-	284.1
Bank loans and borrowings- Fixed interest rate instruments	4.38%	15.3	15.3	380.6	-	411.2
Bank loans and borrowings- Fixed interest rate instruments	6.25%	0.5	0.5	7.9	-	8.9
Bank loans and borrowings- Fixed interest rate instruments	1.50%	6.7	6.7	20.1	457.7	491.2
Bank loans and borrowings- Fixed interest rate instruments	2.25%	10.0	10.0	30.0	494.3	544.3
		452.5	32.5	438.6	952.0	1,875.6

	Weighted average effective interest rate %	Within one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
2016						
Trade and other payables		146.3	-	-	-	146.3
Bank loans and borrowings- Fixed interest rate instruments	5.50%	28.2	540.1	-	-	568.3
Bank loans and borrowings- Fixed interest rate instruments	4.38%	15.3	15.3	45.9	365.3	441.8
Bank loans and borrowings- Fixed interest rate instruments	6.25%	3.6	3.6	65.7	-	72.9
		193.4	559.0	111.6	365.3	1,229.3

17. Deferred Tax

The movement on the deferred tax account is as follows:

	2017 £m	2016 £m
At 1 January	(929.8)	(806.8)
Recognised in profit and loss		
Deferred tax expense	(2.6)	(14.9)
Recognised in other comprehensive income		
Foreign exchange losses	(7.0)	(108.1)
At 31 December	(939.4)	(929.8)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

17. Deferred Tax (continued)

Analysis of Group deferred tax assets and liabilities:

	Losses	Capital Allowances	Investment Properties	Rent Spreading (GAAP adj.)	Total
At 1 January 2017	39.7	(168.4)	(792.3)	(8.8)	(929.8)
Movement recognised in income statement	(5.6)	5.7	(1.8)	(0.9)	(2.6)
Movement recognised in other comprehensive income	1.1	(3.0)	(5.0)	(0.1)	(7.0)
At 31 December 2017	35.2	(165.7)	(799.1)	(9.8)	(939.4)

18. Share Capital

	2017		2016	
	Number	£m	Number	£m
Authorised ordinary shares of US \$1 each				
At 1 January and 31 December	50,000	-	50,000	-
Issued, allotted and fully paid ordinary shares of US \$1 each				
At 1 January	100	-	100	-
At 31 December	100	-	100	-

The Company has one class of ordinary shares which carry no right to fixed income. 98 shares were issued at par to the then sole shareholder, Aldersgate Investment Limited, on 23 December 2015. On the 21 December 2016, 49 shares were sold to Elegant Jubilee Limited by Aldersgate Investment Limited with a further 2 shares sold in December 2017.

Each share of the Company confers upon the Shareholder:

- The right to one vote at a meeting of the Shareholders of the Company or on any Resolution of the Shareholders;
- The right to an equal share in any dividend paid by the Company; and
- The right to an equal share in the distribution of the surplus assets of the Company.

Aldersgate Investments Limited and Elegant Jubilee Limited are party to a shareholders' agreement through which they exercise joint control of the Company.

19. Operating Leases

Operating leases where the Group acts as lessee

The total value of future lease payments due under property operating leases are as follows:

	2017 £m	2016 £m
Less than one year	0.2	0.2
Between two and five years	0.7	0.9
After more than five years	-	-
	0.9	1.1

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

19. Operating Leases (continued)*Operating agreements where the Group acts as service provider*

The total value of future payments receivable under rental and service agreements are as follows:

	2017 £m	2016 £m
Less than one year	262.6	293.3
Between two and five years	768.6	708.3
After more than five years	565.5	210.9
	1,596.7	1,212.5

20. Analysis of movements in net debt

	At 31 December 2016 £m	Cash flow £m	Other non-cash changes £m	Exchange movement £m	At 31 December 2017 £m
Cash and cash equivalents	(166.0)	(273.8)	-	1.9	(437.9)
5.5% guaranteed notes due 2018	512.4	(263.4)	(0.8)	20.2	268.4
4.375% guaranteed notes due 2022	347.8	-	1.0	-	348.8
6.25% guaranteed notes due 2020	58.8	(51.5)	-	0.2	7.5
1.50% guaranteed notes due 2024	-	436.3	0.3	4.4	441.0
2.25% guaranteed notes due 2027	-	436.3	0.3	4.4	441.0
Capitalised bank loan fees	-	(3.1)	0.8	-	(2.3)
Shareholder Loans	180.9	(180.9)	-	-	-
Finance leases	9.9	(1.9)	0.9	-	8.9
	943.8	98.0	2.5	31.1	1,075.4

21. Capital Commitments

The Group did not have any material capital commitments in respect of non-investment property related property, plant and equipment at 31 December 2017 (2016: £nil).

22. Contingent Liabilities

In the ordinary course of business Global Switch is engaged in certain actual, threatened or potential commercial and legal disputes. In the legal disputes where Group entities are actual or potential claimant to the dispute, the exposure is generally limited to legal and associated costs. Where Group entities are the actual or potential defendant, the Company does not consider that the claim would be successful. The Company is confident of its legal positions, both as actual or potential plaintiff or defendant and that any commercial settlements due from the Company are not considered probable. The Directors have therefore concluded that no provision is necessary in respect of these matters.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

23. Related party transactions

Details of the Company's subsidiaries are shown in note 24. Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Year end balances

	2017	2016
	£m	£m
Amount due to related parties – current (note 15)	(1.3)	(23.1)
Amount due from related parties – current (note 13)	0.4	-

Aldersgate Investments Limited acts as counterparty to the Group's forward foreign exchange contracts. As at 31 December 2017 the Group owed £nil in relation to these treasury transactions (31 December 2016: £16.7 million). Additionally, included in trade and other payables are net amounts due for administrative and other services provided at normal commercial rates to and from Aldersgate Investment Limited and certain of its subsidiaries of £1.3 million (31 December 2016: £6.4 million).

During the year Elegant Jubilee Limited reimbursed the Group for administrative expenses of £2.5 million incurred as part of the shareholder change. As at 31 December 2017, £0.4m remains due to the Group as shown in Note 13.

During the year revenues totalling £5.4 million were invoiced by a group subsidiary to Daily-Tech Hong Kong Co. Limited, a subsidiary entity of Daily-Tech Beijing Co. Limited in connection with the provision of data centre services in Hong Kong. Daily-Tech has also contracted to take or underwrite further data centre capacity and services from the Group in Hong Kong, Singapore and Frankfurt. Li Qiang, the Company's Chairman, is also President and an indirect shareholder of Daily-Tech Beijing Co. Limited.

Included within Other revenue is £0.8 million (31 December 2016: £1.9 million) of other income received from subsidiaries of Aldersgate Investments Limited in relation to single tenant data centres owned by those entities.

During 2016, the Company entered into foreign exchange contracts with Aldersgate Investments Limited, in order to mitigate the foreign exchange risk arising from fluctuations in the Euro, Singapore Dollar, Australian Dollar and Hong Kong Dollar for the financial year ended 31 December 2017. No new contracts were entered into during the 31 December 2017 financial year.

24. Subsidiary and associate undertakings

The companies shown below were subsidiary undertakings as at 31 December 2017. The Group owns 100% of the ordinary share capital of all of the companies below, except for those companies noted in footnotes 4, 5 and 6 below. The percentage of the issued share capital held by the Group is equivalent to the proportion of voting rights held. All of the companies listed below operate in their respective country of registration/incorporation.

	Country of registration / incorporation	Nature of business
Global Switch Limited ^(1,2,3)	England and Wales	Ownership and operation of real estate
Brookset 18 Limited ⁽¹⁾	British Virgin Islands	Financing Company
Brookset 20 Limited ^(1,2,3)	British Virgin Islands	Holding Company
Global Switch Group Limited ^(3,5)	British Virgin Islands	Holding Company
Global Switch Estates 1 Limited ^(2,3)	England and Wales	Ownership and operation of real estate
Global Switch Estates 2 Limited ^(2,3)	England and Wales	Ownership and operation of real estate
Global Switch (London) Limited	England and Wales	Ownership and operation of real estate
Global Switch (London No. 2) Limited	England and Wales	Ownership and operation of real estate
Global Switch Facilities Management Limited	England and Wales	Dormant

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For the year ended 31 December 2017

24. Subsidiary and associate undertakings (continued)

	Country of registration / incorporation	Nature of business
Global Switch Services B.V.	Netherlands	Non-operating Company
Global Switch Amsterdam Property B.V. ^(2,3)	Netherlands	Operating Company
Global Switch Amsterdam B.V. ^(2,3)	Netherlands	Ownership and operation of real estate
Global Switch Rotterdam Property B.V.	Netherlands	Non-operating Company
Global Switch PropertyHolding B.V. ^(2,3)	Netherlands	Holding Company
ICT Centre Holding B.V. ^(2,3)	Netherlands	Holding Company
ICT Centre France B.V. ^(2,3)	Netherlands	Holding Company
Global Switch Cooperatief UA ^(2,3)	Netherlands	Holding Company
GS (NA) Holdings NV	Curacao	Holding Company
GS (NA) Company NV	Curacao	Holding Company
Global Switch Property (Germany) GmbH	Germany	Holding Company
Global Switch Verwaltungs GmbH ⁽⁴⁾	Germany	Ownership and operation of real estate
Global Switch FM GmbH	Germany	Ownership and operation of real estate
CarrierHaus GmbH	Germany	Ownership and operation of real estate
Global Switch Germany (Haftungsbeschränkt)	Germany	Holding Company
Global Switch European Holdings S.a.r.l.	Luxembourg	Holding Company
Duelguide (Global Switch) S.a.r.l.	Luxembourg	Holding Company
Global Switch Paris SAS ^(2,3)	France	Ownership and operation of real estate
Global Switch France Holdings SAS ^(2,3)	France	Holding Company
Global Switch Property Madrid S.L.	Spain	Ownership and operation of real estate
Global Switch Spain Holdings S.L.	Spain	Holding Company
Global Switch (Property) Singapore Pte Limited ^(2,3)	Singapore	Ownership and operation of real estate
Global Switch Singapore Holdings Pte Limited ^(2,3)	Singapore	Holding Company
Global Switch Property (Australia) Pty Limited ^(2,3,6)	Australia	Ownership and operation of real estate
Global Switch Australia Pty Limited ^(2,3,6)	Australia	Ownership and operation of real estate
Global Switch Australia Holdings Pty Limited ^(2,3,6)	Australia	Holding Company
Global Switch Property Pty Limited ^(2,3,6)	Australia	Non-operating Company
Global Switch Hong Kong Limited ⁽³⁾	Hong Kong	Ownership and operation of real estate

⁽¹⁾ Owned by Global Switch Holdings Limited.⁽²⁾ Guarantor under €303 million guaranteed notes due 2018, £350 million guaranteed notes due 2022, A\$12.88 million guaranteed notes due 2020, €500 million guaranteed notes due 2024 and €500 million guaranteed notes due 2027.⁽³⁾ Guarantor under the new £425 million multicurrency revolving credit facility, entered into on 17 February 2017.⁽⁴⁾ 94% of ordinary share capital held by Global Switch Holdings Limited.⁽⁵⁾ Global Switch Group Limited is controlled but not owned by Global Switch Holdings Limited and is consolidated by Global Switch Holdings Limited.⁽⁶⁾ A wholly owned subsidiary of Global Switch Group Limited.

In addition the Group holds a 33.33% share in Funeven Limited which is considered to be immaterial to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

25. Hedging reserve

At 31 December 2017, the Group had entered into a portfolio of foreign exchange forward contracts:

Forward Currency	Nominal amount million	Maturity date
EUR	106.0	31/03/2018
EUR	117.0	31/03/2019
AUD	105.0	31/03/2018
AUD	114.0	31/03/2019
SGD	75.0	31/03/2018
SGD	78.0	31/03/2019
HKD	139.0	31/03/2018
HKD	187.0	31/03/2019

The movement of the designated and effective movements of foreign exchange hedges classified as net investment hedges by Global Switch is as follows:

	2017 £m	2016 £m
Balance at 1 January	(85.3)	(14.0)
(Loss) on net investment hedge	(5.6)	(71.3)
Balance at 31 December	(90.9)	(85.3)

Foreign exchange forward contracts carried at fair value are as follows:

	2017 £m	2016 £m
Designated as net investment hedge	22.8	24.7
Designated as fair value to the income statement	-	15.3
	22.8	40.0

A fair value loss of £3.1 million has been recorded in the income statement (2016: gain of £17.5 million).

26. Events after the reporting period

On 29 December 2017, Elegant Jubilee Limited purchased an additional 2% stake from Aldersgate Investment Limited resulting in a total shareholding of 51%. The Group continues to be jointly controlled. The transfer triggered a Put Event which allowed bondholders to redeem existing notes at par value plus accrued interest on the 2020 A\$12.88 million Australian guaranteed notes, the 2018 €303 million Euro guaranteed notes, and the 2022 £350 million Sterling guaranteed notes. A\$0.01 million, €3.09 million and £Nil of face value guaranteed notes were put and were subsequently settled and cancelled on 5 March 2018.

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