

ANNUAL REPORT & FINANCIAL STATEMENTS

For the year ended 31 December 2018



KEY HIGHLIGHTS

£398.9m

Revenue

£274.7m

EBITDA

£5.95bn

CBRE property
valuation

10.8%

Increase in
property valuation

6.3 years

Weighted Average
Lease Duration

23%

Increase in
Weighted Average
Lease Duration

£425m

Revolving
Credit Facility

2.6%

Weighted Average
Cost of Bond Debt

Twelve

Data centres across
eight markets

3.95m

Square feet of
gross space

7.6%

Increase in portfolio
gross space

384MVA

Utility power supply
to the data centres



Front Cover Image: GlobalSwitch Singapore Woodlands

GLOBAL SWITCH HOLDINGS LIMITED

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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Overview

Since Global Switch commenced operations in late 1999, our mission has been, uniquely amongst our peers, to grow our platform consistently with large scale, highly resilient data centres situated exclusively in central locations within the major business and financial hubs across Europe and Asia-Pacific. Global Switch delivers bespoke customer solutions with highly scalable space and power capacity. In other words, our focus has been to create a portfolio formed exclusively of prime data centre assets.

As a result of that strategic consistency, twenty years on, we have become a provider of choice for some of the world's largest cloud and technology solution providers, international financial institutions and a wide range of other global businesses. Customers have grown with us right from our beginnings, attracted by our world class, carrier and cloud neutral, multi customer facilities and the huge scale of community within our ecosystem which offers them unrivalled access to leading telecommunication and other providers, delivering high value to our customers.

Our customers' confidence in us is reinforced by our data centres being operated to a Tier III+ standard with redundant power and cooling systems in place and state-of-the-art security and monitoring systems, as well as best-in-class operating procedures ensuring a low risk operational environment.

While we continue to nurture strong relationships with our long standing North American and European cloud and technology customers, we recognise the international growth aspirations of the leading Chinese internet and technology companies such as Alibaba, Baidu and Tencent. Supported by our shareholders and together with our Cooperation Framework Agreement with China Telecom Global and Daily-Tech, we see great opportunities to become the data centre provider of choice for Chinese companies as they seek to expand outside of China, and into Asia-Pacific and Europe as part of the country's broader Belt and Road Initiative.

Strategy and Ownership

For more than a decade under the current management team, Global Switch has also applied a consistent approach to its strategy and financial and operational policies. We remain committed to our long term strategies of sustainable growth, continuous improvement and maintaining a balanced approach to development that optimises returns at the same time as it minimises execution risk.

Our development focus remains on the disciplined execution of a carefully designed expansion plan, but we also see growing opportunities for future expansion by acquisition. Across the sector there has been a significant increase in M&A transactions, with a doubling of activity in 2017 and 2018, versus the prior two years. Where appropriate, we will selectively consider augmenting our long-standing organic growth strategy with carefully selected acquisitions, provided they make strategic and financial sense and where we can generate attractive returns on our capital.

To date, our expansion plans have been funded through a carefully executed debt capital markets programme supported by the operating cash flows generated by the business. Global Switch's strong investment grade credit rating enables us to access debt capital pools at lower interest rates than our competitors. This reduces the overall cost of capital for the business, which is essential in order to provide the competitive pricing necessary to win business from hyper scale customers, while still generating acceptable returns on capital employed.

During the last financial year we met with each of our rating agencies, restated our strategy and communicated our business plans. We are pleased to report that each of the agencies reaffirmed their ratings for Global Switch as a debt issuer. Global Switch is currently rated BBB+ by Fitch Ratings, Baa2 by Moody's and BBB by Standard & Poor's. We are committed to maintaining our strong investment grade credit rating, which plays an important role in enabling us to access competitive debt financing opportunities.

In July 2018, Strategic IDC Limited, a consortium of six Asian institutional and private investors, acquired a 24.99% stake in the company in a transaction valued at £2.1 billion, reflecting an implied equity value of £7.2 billion and an enterprise value of £8.3 billion. As a result of this transaction, Global Switch is jointly owned by Aldersgate Investments Limited (AIL) (which owns 24.01%), Elegant Jubilee Ltd (which owns 51%) and Strategic IDC Ltd (which owns 24.99%). On a look-through basis, one of our Chinese private investors, Jiangsu Shagang Group, holds an indirect interest in the company slightly larger than that of AIL. The investment by Strategic IDC Limited further

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CHIEF EXECUTIVE'S STATEMENT

diversifies Global Switch's sources of equity capital and supports a continuation of the Company's strategic expansion plans.

Given our existing high quality assets and the strength of our current development pipeline, together with the prospects for further projects, we will continue to explore plans for an Initial Public Offering (IPO) on a leading international stock exchange in 2019, subject to market conditions. A successful IPO will provide further access to global equity capital markets to support our growth and deliver incremental returns.

The year in review

The 2018 year was a landmark for the business as we continued to diversify and strengthen our geographic presence in our core regions of Europe and Asia-Pacific. Over the last 12 months we have been investing in a series of new development projects across our business to deliver the world class technology infrastructure and service excellence that our customers rightfully expect.

While the end of 2017 was marked by the launch of stage 1 of our Hong Kong data centre, the end of 2018 was marked by the launch of our second data centre in Singapore, one of the world's busiest telecommunications and internet hubs. This development was initiated following a significant pre-commitment from Daily-Tech with end customer demand from China Telecom Global.

Singapore Woodlands is our twelfth data centre and one which sets new standards in world class connectivity and environmental standards for a multi-customer data centre by operating at its design Power Usage Efficiency (PUE) of 1.34, making it the most power efficient data centre available to customers in Singapore and possibly this equatorial region. The facility is in the Woodlands area, strategically located in the north of the island and physically distanced from our existing Tai Seng data centre. Uniquely, customers will benefit from a multitude of connectivity options, including the ability to directly connect on a very low latency basis to our Tai Seng data centre. As an integral communications hub to the Asia-Pacific region, Global Switch Tai Seng hosts for its customers the most diverse and network dense international telecommunications environments in the country, including uniquely a number of submarine cable systems which land directly at the facility or have a point of presence there. Customers at Woodlands will be able to access this connectivity rich environment, including the Singapore Internet Exchange (SGIX) as well as all the leading internet services companies, from ISPs and major content owners and distributors to web portals and online social media. The connection between the data centres will be through dedicated low-latency dual connections along diverse pathways.

The addition of Singapore Woodlands has increased our portfolio to 366,795 square metres (3,948,145 square feet) of gross space, supplied with 384 mega volt amps (MVA) of utility power supply.

Following the launch of stage 1 (buildings 1 and 2) of our Hong Kong data centre at the end of 2017, building work commenced on stage 2 (buildings 3, 4 and 5) with construction on course for phased completion during 2019 and 2020. We announced last year that the Hong Kong Science and Technology Park Corporation had approved our application to increase the plot ratio of this facility in the Tseung Kwan O Industrial Estate. Since that decision, Global Switch has worked on re-engineering the plans for the facility to maximise the power density and revenue yields in that space. Financial returns from increasing power density are attractive and form part of a group-wide strategy to upgrade facilities to offer the higher power densities being demanded by today's telecommunications and cloud provider customers.

Excellence in technical design and construction is at the heart of our development strategy. We were delighted that stage 1 of our Hong Kong data centre received a Leadership in Energy and Environmental Design (LEED) Platinum certification. This status is rarely awarded to such facilities and Global Switch Hong Kong is one of only three carrier and cloud neutral data centres in the region to obtain the certification. The Platinum certification demonstrates the achievement of the highest levels of environmental responsibility in construction.

Our new Singapore Woodlands data centre incorporates some of the latest energy efficient technologies and is a leading example of an environmentally sustainable data centre. As referenced earlier, the building is designed to a PUE of 1.34 which compares extremely favourably to the target average PUE of 1.78 set by the National Environment Agency of Singapore. In addition to its exceptional energy efficiency, the new data centre is targeting a Leadership in Energy and Environmental Design (LEED) Gold Rating and a Platinum BCA Green Mark.

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All our data centres are fully certified with all the critically important international standards ISO 9001 (Quality Management), ISO 14001 (Environmental Management), ISO 27001 (Information Security Management), ISO 45001 (Occupational Health & Safety Management) (transitioning from OHSAS 18001) and ISO 50001 (Energy Management), with Hong Kong following the global certification programme.

With our focus on the Tier 1 markets in Europe and Asia-Pacific, we are making good progress with accessing the foreshadowed acquisition opportunities in Shanghai which, if successfully concluded, would mark the company's entry into the mainland China data centre market. The Shanghai data centre, is targeted to be strategically located within the Free Trade Zone, enabling foreign customers to bring their technology equipment into the country without paying import taxes or duties. This will be attractive to Western customers with significant requirements planned for China.

The Chinese hyper scale and telecommunications operator demand that is underpinning our growth in Asia-Pacific is extending further into Europe. We announced last summer that construction had started on our second data centre in Frankfurt based on a substantial pre-commitment from Dailly-Tech and its end customer demand from China Telecom Global. The new €140 million state-of-the-art facility, Frankfurt North, is immediately adjacent to the existing Frankfurt South data centre, and is on target to launch later this year. It will provide around 11,000 square metres of gross space with 14MVA of utility power, bringing the total power capacity of our Frankfurt campus to 28MVA.

Similar to our other developments, Frankfurt North will be a leading example of an environmentally-sustainable data centre with energy efficiency at the heart of its design. The data centre will feature high efficiency static UPS and an advanced Chiller Assist system using both hybrid dry coolers and water-cooled chillers, resulting in the chillers operating for less than 10% of the year. The facility will benefit from an independently verified annualised design PUE of less than 1.2 and will be targeting a BREEAM "Very Good" certification.

Recently, initial piling works commenced on the first phase of a planned expansion to our Amsterdam data centre campus, which will in due course provide a further 28,000 square metres of space with 40MVA of utility power, bringing the total power capacity to 100MVA. We are targeting market-leading environmental standards, including achieving a design PUE of less than 1.2.

The re-development of part of our London North facility also continued through 2018. Existing space in this data centre is being redeveloped to increase the available power density from 450 W/sqm to up to 2,000 W/sqm, over an initial phase covering 1,200 square metres of technical space which is due to complete in the middle of this year. An equivalent programme of increasing power density in our Paris East data centre will commence later this year. Together, these two projects represent the first two implementations of a group-wide long-term strategy of power intensification across many of our sites which is designed to meet the needs of our customers as well as future proofing our data centres and delivering attractive returns on capital. We expect this programme to continue in phases over the medium to long-term, subject to appropriate space becoming available at customer contract expiry dates. This will minimise disruption to both customers and our ongoing income generation.

The step up in development activity will mean that with the practical completion of Frankfurt North, Global Switch will expand to 13 data centres at the end of the year. Since 2010, Global Switch has increased its data centres by 50% in number, grown its gross floor area by 36% and increased its revenues by 81%. Over this same period, EBITDA has doubled, all without acquisitions. We aim to enhance that growth profile with our continuing investment through 2019.

During the year, we continued to experience good customer demand across all the markets in which we operate. Cloud providers continued to ramp up requirements in Europe. In addition to the major pre-commitments for Singapore and Frankfurt, we also secured major new contracts from both Western and Chinese customers. These included a major cloud player in our Sydney data centre, one of the world's largest media and content providers making a substantial power and space commitment in our Madrid data centre, a top three global systems integrator considerably extending their presence in our Paris West data centre, and continued renewals and extension from the cloud and technology sectors in our London and Amsterdam data centres.

As a result of new customer contracts, extensions and renewals achieved during the year the weighted average lease duration at 31 December 2018 has increased further to 6.3 years, representing a 23% uplift from 2017. Occupancy across the portfolio has remained relatively stable, with comparatively benign customer contract expiries scheduled over the next three years.

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Global multi-customer data centre revenues are forecast to grow at a compound annual growth rate of 9.3% for the period 2017 to 2022 (*source: 451 Research*) Within this, North America is forecast to grow at 6.7%, EMEA at 8.8% and Asia-Pacific at 11.6%, which figures support Global Switch's strategy of focusing its efforts in Europe and Asia-Pacific.

Global Switch continues to operate to world class security standards and all our data centres comply with the guidance issued by the UK Centre for the Protection of National Infrastructure as part of the UK government's national security strategy. As part of this strategy, we maintain a Security Control Agreement; a standard security arrangement which restricts physical access to the data centre sites and ensures that high levels of security are in place. This is further strengthened by our Security Control Committee including independent expert representation.

During 2018 we continued to invest in strengthening our senior leadership team with the appointments of Matthew Dent as Chief Commercial Officer and Peter Knapp as Group Director, Europe. Matthew brings with him over 15 years' senior management experience in the data centre sector. Peter brings with him 28 years' experience in the ICT industry, the majority of which was in the data centre sector. We have also appointed new Managing Directors for our Amsterdam, Frankfurt and Hong Kong data centres, who have come from the internet infrastructure, data centre and telecommunications industries respectively. The additions of Matthew and Peter and our new Managing Directors to our already strong team will further enhance our operational capabilities as we continue to grow and expand our market-leading offerings across Europe and Asia-Pacific.

Financial Highlights

Revenue and EBITDA

Our strategy has delivered another year of good financial and operational performances, with the business achieving growth in both revenue and EBITDA, which has remained uninterrupted for over a decade. In line with our financial policy, we maintained a low level of gearing, reflecting both the increasing strength of our balance sheet and the significant operating cash flows generated by our business. With a strong pipeline of development activity ahead, we see significant opportunities to drive further profit and revenue growth whilst balancing the need to deploy strategic capital to invest in our existing operations and to ensure we deliver the best-in-class service to our customers.

Global Switch's revenue for the year ended 31 December 2018 was £398.9 million and its EBITDA was £274.7 million, representing solid growth over the previous year.

	Year ended 31 December 2018 (£ millions)	Year ended 31 December 2017 (£ millions)	Increase
Revenue	398.9	377.6	5.6%
EBITDA*	274.7	267.7	2.6%
EBITDA margin	68.9%	70.9%	

Investment property valuation	5,952.2	5,374.1	10.8%
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** EBITDA excludes gains on the revaluation of investment properties. A reconciliation between operating profit and EBITDA is provided in Note 10 to the consolidated financial statements.*

Revenue has increased by 5.6% from the prior year £377.6 million to £398.9 million, predominantly due to the new data centres in Hong Kong (Tseung Kwan O) and Singapore (Woodlands). Accordingly, EBITDA has increased by 2.6% from the prior year £267.7 million to £274.7 million. On a constant currency basis revenue increased by 7.3% and EBITDA by 4.5%. 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 Group 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

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would have been 80.7% for the year ended 31 December 2018 (2017: 83.0%), compared to 68.9% (2017: 70.9%) on a gross power basis.

Investment property

Global Switch's data centres and associated land interests have been independently valued at £5,952.2 million as at 31 December 2018 (2017: £5,374.1 million) by CBRE Limited. This represents a 10.8% 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 including the completion of Singapore Woodlands, and is consistent with prime asset capitalisation rate compression evidenced in both the data centre and other real estate asset classes.

As at 31 December 2018, gross assets were £6,184.2 million (2017: £5,940.1 million) and net assets were £3,752.4 million (2017: £3,345.2 million). Under International Financial Reporting Standards, it is necessary to recognise a deferred tax liability in respect of increased investment property values, as the rebuttable presumption is that investment properties carried at fair value will be recovered through sale, irrespective of the likelihood of the sale occurring. Accordingly, Global Switch's balance sheet includes a deferred tax liability associated with the investment properties of £848.5 million (2017: £799.1 million), which would only arise if the data centre properties were sold as individual assets. We believe that the likelihood of any sale (and especially in this manner) occurring is remote. Excluding the deferred tax liability, the Group's net assets as at 31 December 2018 would pro forma increase from £3,752.4 million to £4,600.9 million (2017: £3,345.2 million to £4,144.3 million).

Net debt and liquidity

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 4.4:1 and 20% respectively as at 31 December 2018, compared to 4.0:1 and 20% as at 31 December 2017.

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.

Elegant Jubilee's additional 2% purchase of Global Switch in December 2017 triggered a "put event" for holders of certain of Global Switch's guaranteed notes. As a result, in the early part of the year holders of the relevant notes had the option to require the issuers to redeem or purchase those Notes at par value plus accrued interest. No put options were exercised by bondholders under the £350 million bond (expiring in 2022). Just €3.1 million worth of puts under the 2018 Eurobond was exercised and the remaining €300.5 million was repaid upon maturity on 18 April 2018. Only A\$10,000 of the Australian denominated bonds were redeemed and the remaining A\$12.8 million remains due on 23 December 2020. This positive outcome was anticipated given the response to earlier tenders that had taken place during 2017. Following our successful new bond issuances during 2017, we see these small redemptions as an endorsement of the attractiveness of our listed debt and the diversification of Global Switch's ownership structure.

At 31 December 2018 the Group's weighted average bond debt maturity stood at 5.9 years (2017: 5.8 years) and the Group's weighted average cost of bond debt stood at 2.6% (2017: 3.1%). At 31 December 2018, £22.6 million of Global Switch's £425 million revolving credit facility had been drawn. This facility was issued in February 2017 with a four year duration with two single year extension options and an industry leading sub 1% margin.

Capital Expenditure

During the year, Global Switch incurred £290.7 million (2017: £242.3 million) in capital expenditure. Over the next three years, Global Switch anticipates that organic new development activity will be funded by a combination of its available debt facilities and ongoing cash flow generation from existing operations.

Dividends

For the year ended 31 December 2018, no dividend was declared or paid (2017: nil).

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Outlook

The global consumption of data continues to grow exponentially. At Global Switch, we enter 2019 as a partner of choice for many of the world's largest cloud and technology solution providers in an increasingly 'cloud first' world.

Following the completion of Singapore Woodlands and an exciting pipeline which will deliver a new data centre in Frankfurt later this year, Global Switch is confident that it will continue to grow both revenue and EBITDA during 2019. We will also continue to explore opportunities to further build our presence in Tier 1 markets for the first time through acquisitions as well as by new development projects, as appropriate opportunities arise. This will be conducted in a highly disciplined way and only where we believe we can deliver attractive returns on capital.

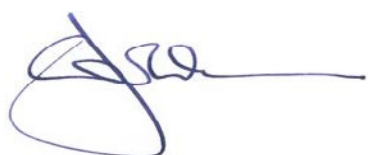
Our new strategic investors and partnership with China Telecom Global and Daily-Tech has continued to deliver a positive influence on Global Switch. Our strategy to position Global Switch at the centre of Chinese growth, both domestically and in Europe and Asia-Pacific, is proving highly successful as evidenced by pre-commitments at our data centres in Hong Kong, Singapore and Frankfurt, as well as meaningful demand from major Chinese companies across our data centres in Asia-Pacific and Europe.

Meanwhile we continue to benefit from positive macro sector trends. In the last few years the data centre industry has matured into a defined asset class, with increasing liquidity at both asset and company level. Global investors have been attracted to the compelling combination of world class real estate assets, resilient and high quality income generation and attractive growth opportunities. Global Switch sits at the forefront of this sector, leading the way in terms of the services we provide.

Our strong development pipeline, high quality assets and the compelling sector dynamics, mean that we are well aligned as we continue to explore our plans for an IPO, subject of course to market conditions.

To date, we have seen no material impact to our business from Brexit. Global Switch has a diverse portfolio with long average contract durations in both London and across Europe. Should there be any eventual adverse movement in London, we are extremely well positioned in Europe to take advantage of any opportunities that might emerge in these markets.

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. I am excited about the opportunities ahead as we look forward to another successful year in 2019.



John Corcoran
Chief Executive Officer
1 April 2019

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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 Group'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 Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for safeguarding the assets of the Group 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
1 April 2019

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Global Switch Holdings Limited and its subsidiaries ("the Group") give a true and fair view of the state of the Group's affairs as at 31 December 2018 and of the Group's results for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union

We have audited the financial statements 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 28.

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 Financial Reporting Council's (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	<p>The materiality that we used for the Group financial statements was £34 million which was determined as 0.9% of Total Equity.</p>
Scoping	<p>All components of the Group, with the exception of Spain and Germany, were subject to a full scope audit. In addition, the valuation of investment properties was audited at a Group level using appropriate specialists.</p>
Significant changes in our approach	<p>There are no significant changes in our approach compared to the prior year.</p>

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 carrying value of the Group investment properties portfolio is £5,862.2 million (2017: £5,290.7 million) and consists of data centre properties -operational and in development across Europe and Asia-Pacific.	<p>We evaluated the design and implementation of the Group's key controls in respect of the valuation process.</p> <p>We visited a number of the data centres as part of our broader oversight of the component audits.</p>	We concluded that the assumptions 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. The valuation is highly sensitive to the assumptions used within the valuation process, as set out in note 15.	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 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 15 on page 37 and discussion	Our internal real-estate valuation specialists challenged the external valuers on the key assumptions used utilising their knowledge	

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLOBAL SWITCH HOLDINGS LIMITED

within note 5 critical accounting estimates on page 28.

and expertise in the market at the macro level and the relevant geographies and through evaluating the key judgemental assumptions 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
Recognition of revenue		
The Group's revenue of £398.9 million (2017: 377.6 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 (2018: £284.7 million; 2017: £275.1 million) is considered to be a key audit matter because of the complexities involved in the treatment of contractual rental indexations and lease incentives, recognition of accrued income and the significance of revenue to the Group's investment property valuation and results. We have pinpointed the key risk to new leases and lease modifications in the year.	<p>We evaluated the Group's policy in respect of revenue recognition in terms of the accounting standards. Additionally we have evaluated the design and implementation of management's key controls over valuation and recognition of lease income.</p> <p>We recalculated the total rental and service fee income including the impact of lease incentives and rental indexations on the basis of the lease terms and the Group's policy using the lease data.</p> <p>We verified a sample of the lease terms to the supporting lease agreements for both existing leases and with a specific focus on those entered into during the year.</p>	The Group's revenue recognition policy is in line with the applicable accounting standards and was applied consistently in 2018. We concluded that the revenue is recognised in line with the policy.
See note 5 on page 28 and note 9 on page 33.	We have recalculated total accrued income at the year-end by taking into account the opening balance sheet position, revenue recognised in the year and billings made in the period.	

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:

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLOBAL SWITCH HOLDINGS LIMITED

Group materiality	£34 million (2017: £30 million)
Basis for determining materiality	Materiality has been determined to be 0.9% (2017: 0.9%) 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 £11.1 million (2017: £13.0 million) which was determined on the basis of 5% of profit before tax adjusted for revaluation and foreign exchange gains and losses. This threshold was applied to testing all balances impacting profit before tax excluding the investment property revaluation.

We reported all audit differences in respect of profit before tax adjusted for revaluation and foreign exchange gains and losses in excess of £230,000 (2017: £260,000) and any other adjustments in excess of £680,000 (2017: £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 were subject to a full scope audit with the exception of Spain and Germany. In those countries the component auditors performed specified procedures for specific account balances and procedures in relation to our significant risks. The Group audit team carried out audit procedures on the valuation of the investment property for the whole of the investment property portfolio.

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 the France, Germany, the Netherlands, Spain, Singapore, Hong Kong and Australia components. The Group audit team visited the UK, the Netherlands, France, Hong Kong and Singapore as part of our oversight role. We participated in the 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 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.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's directors, as a body, in accordance with our engagement letter dated 18th March 2019 and solely for the purpose of the company complying with the requirement of the Irish Stock Exchange. Our audit work has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report 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, 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
1 April 2019

GLOBAL SWITCH HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Note	2018 £m	2017 £m
Revenue	9	398.9	377.6
Cost of sales		(116.8)	(105.5)
Administrative expenses		(10.2)	(7.6)
Operating profit before other gains		271.9	264.5
Revaluation gain on investment properties	15	248.9	176.3
Operating profit	10	520.8	440.8
Finance income		10.2	0.5
Finance costs		(43.9)	(78.1)
Foreign exchange gain/(loss)		5.3	(4.4)
Net finance costs	13	(28.4)	(82.0)
Profit before tax		492.4	358.8
Current tax		(14.9)	(23.2)
Deferred tax		(81.9)	(2.6)
Tax expense	14	(96.8)	(25.8)
Profit for the year		395.6	333.0

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

The notes on pages 18 to 49 form an integral part of these consolidated financial statements.

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

For the year ended 31 December 2018

	Note	2018 £m	2017 £m
Profit for the year		395.6	333.0
Items that are or may be reclassified subsequently to profit or loss			
Foreign exchange translation differences		15.0	(24.2)
Losses on a hedge of net investments taken to equity	27	(0.9)	(5.6)
Total comprehensive income for the year		409.7	303.2

The notes on pages 18 to 49 form an integral part of these consolidated financial statements.

GLOBAL SWITCH HOLDINGS LIMITED

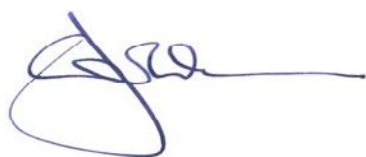
CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Note	2018 £m	2017 £m
Assets			
Non-current assets			
Investment properties	15	5,862.2	5,290.7
Intangible assets		1.6	2.0
Property, plant and equipment		0.8	1.4
Derivative financial instruments	27	-	12.6
		5,864.6	5,306.7
Current assets			
Inventories		2.0	2.0
Trade and other receivables	16	215.5	183.3
Cash and cash equivalents	17	88.0	437.9
Derivative financial instruments	27	11.8	10.2
Current tax		2.3	-
		319.6	633.4
Total assets		6,184.2	5,940.1
Liabilities			
Non-current liabilities			
Borrowings	19	(1,282.4)	(1,243.0)
Deferred tax	14	(1,018.0)	(939.4)
		(2,300.4)	(2,182.4)
Current liabilities			
Borrowings	19	(1.1)	(270.3)
Trade and other payables	18	(130.3)	(135.9)
Current tax		-	(6.3)
		(131.4)	(412.5)
Total liabilities		(2,431.8)	(2,594.9)
Net assets		3,752.4	3,345.2
Equity			
Share capital	20	-	-
Retained earnings	20	3,192.7	2,799.6
Translation reserve	20	(73.8)	(88.8)
Hedging reserve	20, 27	(91.8)	(90.9)
Other reserves	20	725.3	725.3
Total equity		3,752.4	3,345.2

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 1 April 2019.

The notes on pages 18 to 49 form an integral part of these consolidated financial statements.



John Corcoran
Director

GLOBAL SWITCH HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES OF EQUITY

For the year ended 31 December 2018

		capital £m	earnings £m	reserve £m	reserve £m	reserves £m	Total £m
At 1 January 2017		-	2,466.6	(64.6)	(85.3)	725.3	3,042.0
Profit for the year		-	333.0	-	-	-	333.0
Other comprehensive loss		-	-	(24.2)	(5.6)	-	(29.8)
Total comprehensive income		-	333.0	(24.2)	(5.6)	-	303.2
At 31 December 2017		-	2,799.6	(88.8)	(90.9)	725.3	3,345.2
Initial application of IFRS 9	3.2	-	(2.5)	-	-	-	(2.5)
At 1 January 2018		-	2,797.1	(88.8)	(90.9)	725.3	3,342.7
Profit for the year		-	395.6	-	-	-	395.6
Other comprehensive income	27	-	-	15.0	(0.9)	-	14.1
Total comprehensive income		-	395.6	15.0	(0.9)	-	409.7
At 31 December 2018	20	-	3,192.7	(73.8)	(91.8)	725.3	3,752.4

The notes on pages 18 to 49 form an integral part of these consolidated financial statements.

GLOBAL SWITCH HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018

	Note	2018 £m	2017 £m
Cash flows from operating activities			
Profit before tax		492.4	358.8
<i>Adjustments for</i>			
Finance income	13	(10.2)	(0.5)
Finance costs	13	43.9	78.1
Foreign exchange (gains)/losses	13	(5.3)	4.4
Depreciation of property, plant and equipment	10	0.8	1.7
Amortisation of intangibles	10	0.9	1.5
Loss on disposal of property, plant and equipment		1.1	-
Revaluation gain on investment property	15	(248.9)	(176.3)
Changes in:			
-Trade and other receivables		(22.3)	(20.6)
-Trade and other payables		(16.3)	(10.5)
Cash generated from operating activities		236.1	236.6
Interest received		0.2	0.5
Income taxes paid		(23.3)	(31.5)
Net cash from operating activities		213.0	205.6
Cash flows from investing activities			
Purchase of property, plant and equipment		(1.8)	(1.0)
Construction of and improvements to investment properties		(284.8)	(240.8)
Net cash used in investing activities		(286.6)	(241.8)
Cash flows from financing activities			
Repayment of shareholder loans		-	(189.4)
Proceeds from forward foreign exchange contracts	25, 27	16.4	8.5
Revolving credit facility fees		(1.2)	(3.2)
Proceeds from bank loans		22.6	299.5
Repayment of bank loans		-	(299.5)
Proceeds from bond issue		-	872.6
Repayment/repurchase of Euro denominated guaranteed notes		(267.0)	(263.4)
Repurchase of A\$ denominated guaranteed notes		-	(51.5)
Interest paid		(47.7)	(63.6)
Net cash from financing activities		(276.9)	310.0
Net (decrease)/increase in cash and cash equivalents		(350.5)	273.8
Cash and cash equivalents at 1 January		437.9	166.0
Effect of movements in exchange rates on cash held		0.6	(1.9)
Cash and cash equivalents at 31 December	17	88.0	437.9

The notes on pages 18 to 49 form an integral part of these consolidated financial statements.

GLOBAL SWITCH HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group”).

On 3 July 2018, Strategic IDC Limited acquired a 24.99% stake in Global Switch Holdings Limited from Aldersgate Investments Limited. Strategic IDC Limited is owned by a consortium of six corporate and institutional investors. Following the transaction, at 31 December 2018 and to the date of the approval of the consolidated financial statements, the existing investors, Aldersgate Investments Limited and Elegant Jubilee Limited, own 24.01% and 51% of Global Switch Holdings Limited respectively and Strategic IDC Limited owns 24.99%. Aldersgate Investments Limited, Elegant Jubilee Limited and Strategic IDC Limited continue to jointly control the Group.

As at 31 December 2017, the Company was 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. Elegant Jubilee Limited is ultimately owned by a consortium of fifteen corporate and institutional investors.

2. Basis of accounting

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“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 Group has initially applied IFRS 15 using the modified retrospective approach. Under this method, the comparative information is not restated for the application of IFRS 15. The Group has also taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9’s classification and measurement (including impairment) requirements.

2.1. Accounting period

The reference accounting period is the year to 31 December.

2.2. Presentation currency

The consolidated financial statements are presented in Pounds Sterling (“£”), which is the Group’s presentation currency.

2.3. 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 consolidated 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 consolidated financial statements. The Group is profitable with an operating profit for the year to 31 December 2018 of £520.8 million (2017: £440.8 million) and cash generated from operating activities of £213.0 million (2017: £205.6 million). At 31 December 2018, the Group had net assets of £3,752.4 million (2017: £3,345.2 million) and net current assets of £188.2 million (2017: £220.9 million). At 31 December 2018, the Group had net debt of £1,195.5 million (2017: £1,074.4 million); however the majority of the Group’s undiscounted financial liabilities are due in more than five years and the Group had £402.4m undrawn on its revolving credit facility (2017: £425.0 million) (see note 19). Thus the Directors continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3. Significant accounting policies

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

3.1. Change in accounting policy – IFRS 15 Revenue from contracts with customers

The Group has adopted IFRS 15 *Revenue from contracts with customers* with a date of initial application of 1 January 2018. The modified approach has been selected as the transition option, whereby the Group recognises the cumulative effect of applying the new standard at the date of initial application, with no restatement of comparative periods presented. The details and quantitative impact of the changes in accounting policies are disclosed below.

Note that the new standard does not apply to rental and service agreements, which provide customers with the right to use an asset. This will continue to be in the scope of IAS 17 *Leases*. As a result of the majority of the Group's revenue being out of scope and the negligible impact elsewhere, no adjustment has been required to the opening balance of equity at 1 January 2018 as a result of the adoption of IFRS 15. Further details can be found below.

Nature, timing and extent of services

Provision of power	The Group previously recognised electricity revenue in the period in which the electricity was drawn by the customer under IAS 18. Under IFRS 15, the total consideration in a contract is allocated to products and services based on their stand-alone selling prices. In determining stand-alone selling prices for power, observable prices in the market are considered. Performance obligations in respect of the provision of power are satisfied at point in time, as power is drawn by the customer, and hence there is no impact on revenue from the provision of power through the adoption of IFRS 15.
Provision of additional services and other revenue	Provision of additional services and other revenue account for a relatively small proportion of the Group's annual sales. Similar factors have been considered as for the provision of power and the transition to the new standard does not significantly affect the Group's revenue from these sources, which are generally recognised at point in time.

Significant payment terms depend on the individual contract with a customer. There is not typically a significant financing component and payment terms are specified in contracts with customers.

The Group does not typically have material performance obligations under IFRS 15 that are unsatisfied at a given point in time.

Contract assets and contract liabilities

IFRS 15 introduces the concept of a contract asset as an asset arising if an entity performs by transferring goods or services to a customer before the consideration is paid or before payment is due. Contract assets exclude trade receivables. The concept is similar to that of accrued income, which the Group previously included within the financial statement caption *trade and other receivables*. Contract assets will similarly be recognised within trade and other receivables. Contract assets form part of the Group's financial assets. See note 16.

IFRS 15 introduces the concept of a contract liability as a liability arising if a customer pays consideration or if the entity has a right to consideration that is unconditional (i.e. a receivable), before the good or service is transferred to the customer. The concept is similar to that of deferred income, which the Group previously included within the financial statement caption *trade and other payables*. Contract liabilities will similarly be recognised within trade and other payables. See note 18.

Contract costs

Under IFRS 15, in certain circumstances entities are required to capitalise incremental costs in obtaining a contract or costs to fulfil a contract and amortise them. For the Group, the most relevant costs are those incremental costs that would not have been incurred had certain contracts not been obtained, such as any directly corresponding sales commission and/or legal costs. Such costs will continue to be capitalised by the Group and are immaterial.

Disclosures

There is minimal transitional impact on the disclosures in the notes to the financial statements from the adoption of IFRS 15.

3.2. Change in accounting policy – IFRS 9 *Financial instruments*

The Group has adopted IFRS 9 *Financial Instruments* with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a change from IAS 39 *Financial Instruments: Recognition and Measurement*.

The nature and effects of the key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ('FVOCI') and fair value through profit and loss ('FVTPL'). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see the relevant accounting policy below. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The introduction of the ECL model has had no material financial impact for the Group. See note 8.

Hedge accounting

The Group has made the accounting policy choice, allowed under IFRS 9, to continue to apply the hedge accounting requirements of IAS 39. Hence there is no impact on hedge accounting.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- Changes to hedge accounting policies have been applied prospectively.
- Except for the cost of hedging approach for forward points, which has been applied retrospectively to hedging relationships that existed on or were designated after 1 January 2017, all hedging relationships designated under IAS 39 at 31 December 2017 met the criteria for hedge accounting under IFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships.
- A £2.5m adjustment has been made to increase the allowance for impairment and correspondingly reduce retained earnings at 1 January 2018 (the transition date) to reflect the new impairment model, under which the allowance for impairment of financial assets is generally expected to be higher.

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

GLOBAL SWITCH HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

	Original classification (IAS 39)	New classification (IFRS 9)	Original carrying amount (IAS 39) £m	New carrying amount (IFRS 9) £m
Financial assets				
Trade and other receivables, excluding prepayments	Loans and receivables	Amortised cost	180.2	180.2
Cash and cash equivalents	Loans and receivables	Amortised cost	437.9	437.9
Forward exchange contracts used for hedging	Fair value – hedging instrument	Fair value – hedging instrument	22.8	22.8
Total financial assets			640.9	640.9
Financial liabilities				
Trade and other payables, excluding deferred income	Other financial liabilities	Other financial liabilities	79.5	79.5
Bank loans, related party borrowings and guaranteed notes	Other financial liabilities	Other financial liabilities	1,513.3	1,513.3
Total financial liabilities			1,592.8	1,592.8

3.3. 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:

- 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.

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. Non-controlling interests in the net assets of consolidated subsidiaries, which consist of the amounts of those interests at the date of the original business combination and non-controlling share of changes in equity since the date of the combination, are not material to the Group's financial statements.

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.

3.5 Foreign currency transactions and translation

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign exchange gains and losses are recognised in the consolidated 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 into Pound Sterling at the closing rates of exchange at the balance sheet date. The income and expenses of overseas subsidiaries are translated at the Pound Sterling exchange rates at the dates of the transactions. 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 and accumulated in the translation reserve.

3.6 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, including attributable internal labour costs.

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.

Depreciation

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

Leasehold properties

Leasehold properties are classified as investment property 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 those based on reviews of rental and service fee income, are charged as an expense in the periods in which they are incurred.

3.7 Property, plant and equipment

Property, plant and equipment is 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.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.8 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. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.9 Impairment of non-financial assets, excluding inventories, investment properties and deferred tax assets

Non-financial assets, excluding inventories, investment properties and deferred tax assets, are reviewed at each reporting date to determine whether there are any indicators of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Where there are losses recognised in prior periods, these are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.10 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 property or property, plant and equipment, depending on the nature of the asset. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that 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. Minimum lease payments are apportioned between a reduction in the outstanding liability and interest expense to achieve a constant rate of interest charge on the outstanding liability.

Operating leases, other than leasehold investment properties

For leasehold investment properties, see note 15. Otherwise, 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.

3.11 Segmental information

The Group has two geographical regions and its corporate head office, which are its reportable segments. These divisions are managed separately, because of the nature and location of their markets.

The following summarises the reportable segments.

Reportable segments	
Europe	The Group's operations in Amsterdam, Frankfurt, London, Paris and Madrid
Asia-Pacific	The Group's operations in Hong Kong, Singapore and Sydney
Corporate and other	The Group's corporate headquarters and other

The Group's Chief Executive Officer, is the 'chief operating decision maker' and reviews internal management reports of each reportable segment.

3.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, customer deposits and restricted cash, which is held in escrow.

3.13 Revenue

The Group has applied IFRS 15 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 18. The details of accounting policies under IAS 18 are disclosed separately if they are different from those under IFRS 15. The impact of changes is disclosed in note 3.1.

Significant payment terms depend on the individual contract with a customer. There is not typically a significant financing component and payment terms are specified in contracts with customers.

The Group does not typically have material performance obligations under IFRS 15 that are unsatisfied at a given point in time.

Rental and service fee income from investment properties

Rental and service fee income, which is within the scope of IAS 17 *Leases*, is outside the scope of IFRS 15 and is unaffected by the Group's transition to the new, latter standard. Rental and service fee income from investment properties is recognised in the consolidated income statement on a straight-line basis over the lease term including any fixed indexation. Incentives are amortised over the lease term.

The inception of a lease or service agreement is the earlier of the date of the agreement and the date of commitment by the parties to the principal provisions of the lease or service agreement. The commencement of the lease term is the date from which the customer is entitled to exercise its right to use the leased asset. The lease term is the non-cancellable period for which the customer has contracted to lease the asset together with any further terms for which the customer has the option to continue to lease the asset, with or without further payment, when at the inception of the contract it is reasonably certain that the customer will exercise the option.

Provision of power

Revenue in relation to electricity drawn by the customer is recognised in the period in which the electricity was drawn. The timing of the drawing of power aligns to the satisfaction of the corresponding performance obligations.

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, access management and client management services. Revenue from additional services is recognised when the service is provided.

3.14 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.

3.15 Taxation

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

Current tax payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated 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. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated 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.

Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that the realised tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves.

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 assets and liabilities are offset only if certain criteria are met.

3.16 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.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those expected 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.

3.17 Finance income and finance costs

The Group's finance income and finance costs include interest income, interest payable, early repayment of guaranteed notes, bank loan facility fees, hedging finance costs, amortisation of issues costs, foreign currency gains or losses on financial assets and liabilities and other finance income and other finance costs.

Interest income or expense is recognised using the effective interest method. The effective interest method is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

3.18 Financial instruments, other than derivative financial instruments and hedge accounting

Trade receivables, accrued income and contract assets are initially recognised when they are originated. All other financial instruments are initially recognised when the Group becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value plus directly attributable transaction costs.

Financial assets and financial liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.18.1 Classification and measurement

Financial assets

Financial assets are classified on initial recognition and are not subsequently reclassified unless the Group changes its business model for managing financial assets. A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, where they exist.

The classification of 'financial assets at amortised cost' was introduced by IFRS 9, which was adopted by the Group from 1 January 2018. The previous accounting standard, IAS 39, which has been applied prior to 1 January 2018, set out alternative classifications. However, the vast majority of the Group's financial assets, other than derivatives, were nevertheless included in a classification at which measurement subsequent to recognition was at amortised cost. See note 3.2 for further information on the adoption of IFRS 9.

Financial liabilities

The Group's financial liabilities are classified as measured at amortised cost. Measurement subsequent to initial recognition applies the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

3.18.2 Impairment

The Group has applied IFRS 9 from 1 January 2018, which introduces the concept of expected credit losses ("ECLs"). The Group recognises ECLs on its financial assets at amounts equal to lifetime ECLs. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows the Group expects to receive). The Group considers a financial asset to be in default at the point at which the customer is unlikely to pay its credit obligations to the Group, without recourse by the Group to actions such as realising security (if any is held). At each reporting date, the Group assesses whether financial assets are credit impaired. A financial asset is credit-impaired when one or more events have occurred that have had a detrimental impact on the estimated future cash flows of the financial asset. The Group has elected to rebut the presumption that instruments which are ninety days past due are automatically in default or credit-impaired. The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery.

Prior to 1 January 2018 and the adoption of IFRS 9, a provision for impairment was established where there was significant objective evidence that the Group would not be able to collect all amounts due according to the original terms of the relevant contract. On confirmation that the financial asset was not collectible, the gross carrying value of the asset was written off against the associated provision. See note 3.2 for further information on the adoption of IFRS 9.

3.19 Derivative Financial Instruments

The Group has historically entered 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.

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.

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.

3.20 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.

4. Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation

IFRS 16 *Leases* provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors and is required to be adopted by the Group from 1 January 2019. IFRS 16 supersedes IAS 17 *Leases* and certain other leasing guidance.

Lessor accounting remains similar to current requirements. For example, there remains a dual lease accounting model and lease classification tests are based on the IAS 17 criteria. Under IFRS 16, both the finance lease and operating lease accounting models are based on IAS 17 accounting.

For lessees, there will be a single lease accounting model, removing the distinction between operating and finance leases. All leases will be on-balance sheet, with lessees recognising a right-of-use asset and a lease liability.

The process of quantifying the implications of this standard is ongoing. However, the initial expectation is as follows.

The Group operates as a lessor (of investment properties specifically), more so than as a lessee. The new standard primarily affects lessees and also provides a number of practical expedients on transition. The initial assessment is therefore that IFRS 16 will have limited impact on the presentation of the financial performance and position of the Group and minimal disclosure impact. Furthermore IFRS 16 states that a lessor is not required to make any adjustments on transition for leases in which it is a lessor and should account for those leases applying IFRS 16 from the date of initial application. The exceptions are for sub-leases and sale-and-leaseback transactions. For sub-leases, the requirement is to reassess classification on transition; however, the Group's initial assessment is that there will be no changes to classifications and therefore no impact. The Group is not currently engaged in sale-and-leaseback transactions.

For lessee transition, the Group intends to follow a modified retrospective approach, whereby it would not restate comparative information, instead recognising the cumulative effect (which is expected to be immaterial) as an adjustment to equity at 1 January 2019. In electing to follow the modified retrospective approach, the Group intends to use practical expedients, such as to account for leases for which the lease term ends within twelve months of 1 January 2019 as short-term leases.

Whilst the initial assessment detailed above has been performed, the impact will nevertheless continue to be assessed.

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5. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. 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 prospectively 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.

Assumptions and estimation uncertainties

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next twelve months is included in the following notes:

- Note 15 – measurement of the fair value of investment properties
- Note 14 – deferred tax assets and liabilities

Judgements

Apart from those involving estimations, there no further instances in which judgements made in applying accounting policies have a significant effect on the amounts recognised in the consolidated financial statements.

6. Operating segments

The Group's reportable segments are described in note 3.11. Information related to each reportable segment is set out below. Segment EBITDA is used to measure performance and is defined as operating profit before depreciation, amortisation and revaluation of investment property (see note 15). EBITDA is considered to be a useful measure of operating performance because it approximates the underlying operating cash flow by eliminating depreciation, amortisation and revaluation of investment property, each of which is a non-cash element of operating profit. Items below EBITDA are not allocated to reportable segments, as the central Group finance team manages this activity, together with the overall net debt position of the Group.

Segment revenue and profit

Year ended 31 December 2018	Europe £m	Asia-Pacific £m	Corporate and other £m	Total £m
Revenue	215.4	176.6	6.9	398.9
EBITDA	138.9	137.7	(1.9)	274.7
Depreciation, amortisation and loss on disposal of property, plant and equipment				(2.8)
Revaluation of investment property				248.9
Operating profit				520.8
Net finance costs				(28.4)
Profit before tax				492.4

Year ended 31 December 2017	Europe £m	Asia-Pacific £m	Corporate and other £m	Total £m
Revenue	227.3	141.0	9.3	377.6
EBITDA	150.8	107.3	9.6	267.7
Depreciation and amortisation				(3.2)
Revaluation of investment property				176.3
Operating profit				440.8
Net finance costs				(82.0)
Profit before tax				358.8

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Segment non-current assets and capital expenditure

Year ended 31 December 2018	Europe £m	Asia-Pacific £m	Corporate and other £m	Total £m
Non-currents assets, excluding derivatives	3,088.7	2,775.9	-	5,864.6
Non-current derivative assets				-
Non-current assets				5,864.6
Capital expenditure	46.5	244.2	-	290.7

Year ended 31 December 2017	Europe £m	Asia-Pacific £m	Corporate and other £m	Total £m
Non-currents assets, excluding derivatives	3,000.1	2,294.0	-	5,294.1
Non-current derivative assets				12.6
Non-current assets				5,306.7
Capital expenditure	17.1	225.2	-	242.3

7. Financial instruments

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

Financial assets measured at amortised cost

	Note	Carrying amount	
		2018 £m	2017 £m
Trade receivables	16	79.0	68.0
Other receivables	16	19.8	12.7
Accrued income and contract assets	16	115.2	99.5
Cash and cash equivalents	17	88.0	437.9
		302.0	618.1

Derivative assets – measured at fair value through other comprehensive income

	Note	Carrying amount	
		2018 £m	2017 £m
Current derivatives	27	11.8	10.2
Non-current derivatives	27	-	12.6
		11.8	22.8

Financial liabilities measured at amortised cost

	Note	Carrying amount	
		2018 £m	2017 £m
Trade payables	18	10.8	10.2
Social security and other taxation	18	1.6	5.5
Other payables	18	5.5	7.7
Provisions	18	6.6	2.9
Accruals	18	58.2	53.2
Bank loans and borrowings *	19	1,285.4	1,515.6
		1,368.1	1,595.1

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*Excludes the deduction of unamortised debt issues costs of £1.9 million (2017: £2.3 million). See note 19.

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* and IFRS 9 *Financial instruments*, 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 fair values of financial assets and liabilities which bear floating rates of interest are estimated to be equivalent to their carrying 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).

8. 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.

The Group has not and does not currently intend to enter into hedging transactions in relation to the interest and capital repayments associated with the outstanding £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.

The Group's has historically hedged the risk of changes in relevant spot exchange rates to the extent that they are expected to impact the net assets of its foreign subsidiaries. The Group has used 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:

	2018		2017	
	Year end	Average	Year end	Average
Euro	0.8977	0.8848	0.8886	0.8726
Singapore Dollar	0.5753	0.5554	0.5538	0.5626
Australian Dollar	0.5522	0.5599	0.5787	0.5966
Hong Kong Dollar	0.1001	0.0955	0.0948	0.1003

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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 £100.3 million lower/higher (2017: £94.3 million lower/higher) and would have decreased/increased equity by £1,097.4 million (2017: £969.8 million decrease/increase). 30% was used as a highly conservative benchmark to reflect the potential Sterling volatility associated with ongoing Brexit negotiations.

Market risk - Interest rate risk

The Group's exposure to interest rate risk arises from cash and cash equivalents, and variable interest bearing borrowings. The Group's guaranteed notes of £1,246.9 million (2017: £1,506.7 million) are at fixed interest rates. The Group therefore has limited borrowings at the year end date that are exposed to interest rate risk (see note 19).

Market risk - 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 carrying amounts of financial assets represent the maximum credit exposure.

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 Group has considered the counterparty risk associated with the foreign exchange forward contracts that it has entered into. The derivatives are entered into with Aldersgate Investments Limited, a shareholder in the Group (see note 25).

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. 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.

Comparative information under IAS 39:

In relation to credit risk, the following information was disclosed in the financial statements for the year ended 31 December 2017 under IAS 39.

At 31 December 2017, the Group had gross trade receivables of £71.9 million (note 16). Of the total gross trade receivables, £44.9 million were within normal payment terms and considered to be fully performing. A further £27.0 million were past the due date of which £10.0 million were overdue by 3 months or more. The ageing of trade receivables past their due date is as follows:

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

Expected credit loss assessment for customers under IFRS 9:

The Group uses an allowance matrix to measure the expected credit losses of trade receivables, accrued income and contract assets from individual customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Given the nature of

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the Group's customers and the positive history with respect to credit risk, it is not presumed that trade receivables more than 30 days past due have a significant increase in credit risk. Trade receivable collection is closely monitored and analysed, with correspondence and communication with customers providing information to management on credit risk. Write-offs are infrequent; however, when there is a clear indicator of default, then the corresponding receivable is written-off. Trade receivables, accrued income and contract assets for Daily-Tech Hong Kong Co. Limited have a reduced credit risk, due to the nature of the customer relationship (see note 25). These are excluded from the below, since any expected credit loss would be negligible. The following table provides information about the exposure to credit risk and expected credit losses for trade receivables, accrued income and contract assets from individual customers as at 31 December 2018.

	Weighted average loss rate %	Gross carrying amount £m	Loss allowance £m
Current (not past due) trade receivables, accrued income and contract assets	0.45	123.1	0.6
31-60 days past due	4.31	6.9	0.3
61-90 days past due	13.58	5.1	0.7
More than 60 days past due	20.62	8.9	1.8
		144.0	3.4

Loss rates are based on actual credit experience over the past three years. These rates may be multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movements in the allowance for impairment in respect of trade receivables and contract assets (comparative amounts for 2017 represent the allowance account for impairment losses under IAS 39):

	2018 £m	2017 £m
Balance at 1 January per IAS 39	3.9	4.9
Adjustment at 1 January on initial application of IFRS 9	2.5	-
(Amounts written off) / (release of provisions)	(2.3)	(1.0)
Net remeasurement of loss allowance	(0.7)	-
Balance at 31 December	3.4	3.9

The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity is £2.3 million (2017: £1.0 million).

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.

Capital management

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. See Borrowings note 19 and Analysis of movements in net debt note 22.

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9. Revenue

The Group's revenue arises from the following major service lines:

	2018	2017
	£m	£m
Rental and service fee income from investment properties	284.7	275.1
Provision of power	58.6	58.8
Provision of additional services and other revenue	55.6	43.7
	398.9	377.6

The Group's customer base is broad and diversified with only two customers each accounting for more than 10% of the Group's total revenue. The larger of these two customers has entered into contracts across two of the Group's data centres, with total revenue of £48.6 million (2017: £14.9 million) (see note 25). The Group's second largest customer is contractually and geographically diversified, having entered into multiple contracts across eight of the Group's twelve data centres, with total revenue of £40.2 million (2017: £38.5 million).

The Group adopted IFRS 15 *Revenue from contracts with customers* in this period which has not had a material impact on reported revenues (refer to note 3.1).

Negligible revenue was recognised in 2018 from IFRS 15 performance obligations satisfied (or partly satisfied) in previous periods. Likewise, negligible revenue is expected to be recognised in the future related to IFRS 15 performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The majority of the Group's revenue is outside the scope of IFRS 15 (see note 3.1).

Timing of revenue, other than rental and service fee income from investment properties, is at point in time.

Information regarding receivables, contract assets and contract liabilities can be found in notes 7, 16 and 18.

10. Operating profit

Operating profit is stated after charging/(crediting):

	Note	Income Statement	
		2018	2017
		£m	£m
Depreciation of property, plant and equipment		0.8	1.7
Amortisation of intangibles		0.9	1.5
Loss on disposal of property, plant and equipment		1.1	-
Direct operating expenses – Property generating rental income		100.4	92.1
Operating lease expense – Property		0.2	0.2
(Reversals of impairment) / impairment of trade and other receivables		(0.7)	0.5
Revaluation gain on investment properties	15	(248.9)	(176.3)

Reconciliation between Operating Profit and EBITDA

	2018	2017
	£m	£m
Operating profit	520.8	440.8
Add depreciation and loss on disposal on property, plant and equipment	1.9	1.7
Add amortisation of intangibles	0.9	1.5
Less revaluation of investment properties	(248.9)	(176.3)
EBITDA	274.7	267.7

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11. 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:

	2018 £m	2017 £m
Audit of Group financial statements	0.2	0.2
Audit of financial statements of subsidiaries	0.3	0.2
Total audit services	0.5	0.4
Other services	-	0.1
Total non-audit services	-	0.1
Total	0.5	0.5

12. Staff numbers and costs

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

	2018 Average Number	2018 Year end Number	2017 Average Number	2017 Year end Number
Property management	122	125	113	121
Sales	14	12	19	15
Administration	82	82	69	81
Group total	218	219	201	217

Aggregate payroll costs of these employees amounted to:

	2018 £m	2017 £m
Wages, salaries and performance related bonuses	13.8	10.7
Social security costs	1.4	1.7
Retirement benefit costs - defined contribution schemes	0.8	0.9
	16.0	13.3

Key management personnel compensation

Key Management comprises the Chief Executive Officer, the Chief Financial Officer, the Chief Commercial Officer, the Group Operations Director, the Group Director (UK), the Group Director (Asia-Pacific) the Group Director (Europe). The Group's non-executive directors received no compensation (2017: £nil). The compensation borne by the Group for key management is:

	2018 £m	2017 £m
Salaries, incentives, bonuses and benefits	3.0	2.8
Retirement benefit costs	0.2	0.2
	3.2	3.0

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13. Net finance costs

	Note	2018 £m	2017 £m
Bank and other interest		0.1	0.5
Other finance income	25	10.1	-
Finance income		10.2	0.5
Interest payable on bank loans		-	(0.5)
Other finance cost		(3.5)	(7.2)
Interest payable on guaranteed notes		(36.9)	(47.8)
Early repayment of guaranteed notes		-	(18.1)
Bank revolving credit facility fee		(2.0)	(0.6)
Hedging finance costs		(0.1)	(3.1)
Amortisation of issue costs		(1.4)	(0.8)
Finance costs		(43.9)	(78.1)
Foreign exchange gain/(loss)		5.3	(4.4)
Net finance costs		(28.4)	(82.0)

14. Tax

Tax critical judgments

The Group calculates and pays tax in accordance with the laws of the countries in which it operates. Certain companies in the Group have tax periods that remain open. In preparing the consolidated 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 consolidated financial statements; however the Directors believe that any differences are unlikely to be material.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated 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 fair 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. When there is an uncertainty over the income tax treatments, the Group considers whether it is probable that a tax authority will accept an uncertain tax treatment. If it is not probable that the tax authority will accept an uncertain tax treatment, the Group reflects the effect of the uncertainty by determining the single most likely amount or by estimating a probability weighted value based on a range of possible outcomes whichever method is most appropriate.

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.

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Analysis of charge for the year

	2018 £m	2017 £m
Current tax expense		
On net income before revaluations	18.4	23.2
Adjustments in respect of earlier years	(3.5)	-
Total current tax expense	14.9	23.2
Deferred tax expense		
Origination and reversal of temporary differences	69.8	50.7
Adjustments in respect of earlier years	12.1	9.6
Reduction in tax rate	-	(57.7)
Total deferred tax expense	81.9	2.6
Tax expense	96.8	25.8

Factors affecting tax charge for the year

	2018 £m	2017 £m
Profit before tax	492.4	358.8
Tax calculated at the domestic rate applicable to the profits in each country concerned	89.7	74.7
Permanent differences	0.1	1.2
Other deferred tax adjustments	(2.0)	(3.0)
Other taxes	0.4	1.0
Adjustment in respect of earlier years	8.6	9.6
Reduction in tax rate	-	(57.7)
Tax charge	96.8	25.8

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 prior 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 £57.7 million in 2017. There were no rate reductions substantively enacted during the 2018 year that impacted the Group.

The weighted average statutory tax rate across the Group's countries of operation was 18.2% (2017: 20.8%).

Deferred tax

The movement on the deferred tax account is as follows:

	2018 £m	2017 £m
At 1 January	(939.4)	(929.8)
Recognised in profit and loss		
Deferred tax expense	(81.9)	(2.6)
Recognised in other comprehensive income		
Foreign exchange gains/(losses)	3.3	(7.0)
At 31 December	(1,018.0)	(939.4)

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Analysis of Group deferred tax assets and liabilities:

	Losses	Capital Allowances	Investment Properties	Accrued income	Total
	£m	£m	£m	£m	£m
At 1 January 2018	35.2	(165.7)	(799.1)	(9.8)	(939.4)
Movement recognised in income statement	3.0	(33.8)	(52.5)	1.4	(81.9)
Foreign exchange movement recognised in other comprehensive income	0.3	(0.4)	3.1	0.3	3.3
At 31 December 2018	38.5	(199.9)	(848.5)	(8.1)	(1,018.0)

15. Investment properties

Investment property critical estimates

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 long-term nature of the agreements with customers provides some protection to the Group from such factors.

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 within this note.

All of the Group's investment property is Level 3, as defined by IFRS 13 *Fair value measurement*, in the fair value hierarchy as at 31 December 2018 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 2018 and 2017, valued by professionally qualified external valuers. The Group's investment 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. Valuation fees are independent of the investment property value and based on a fixed amount.

Market value is defined as the estimated amount for which an investment 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 uses 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 2018 and 2017.

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

Holding all other assumptions constant, an increase of 25 basis points on both the internal rate of return ("IRR") and the exit yield rates would result in a net reduction in the investment properties valuation of £247.0 million to £5,705.2 million. A corresponding decrease would result in a net increase in the investment properties valuation of £267.2 million to £6,219.4 million.

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	2018 Completed £m	2018 Development £m	2018 Total £m	2017 Completed £m	2017 Development £m	2017 Total £m
At 1 January	5,001.1	280.7	5,281.8	4,478.7	377.7	4,856.4
Additions	46.7	242.2	288.9	188.0	52.8	240.8
Transfers	359.0	(359.0)	-	239.6	(239.6)	-
Revaluation – investment properties	226.2	22.7	248.9	61.9	116.3	178.2
Difference on exchange	20.4	6.3	26.7	32.9	(26.5)	6.4
	5,653.4	192.9	5,846.3	5,001.1	280.7	5,281.8
Finance lease asset at 1 January	8.9	-	8.9	10.8	-	10.8
Revaluation – lease asset	-	-	-	(1.9)	-	(1.9)
Reassessment – lease asset	7.0	-	7.0	-	-	-
	15.9	-	15.9	8.9	-	8.9
At 31 December	5,669.3	192.9	5,862.2	5,010.0	280.7	5,290.7

Valuation 31 December 2018

Inputs 31 December 2018

Asset Type	Completed £m	Land & Development £m	Combined Property Portfolio £m	Initial Yield range	Exit Yield range	IRR range	Rental Value Range £m
Data Centres	5,759.3	192.9	5,952.2	2.49 – 6.42%	5.35 – 7.00%	6.75 – 9.25%	11.2 – 60.5
Group Total	5,759.3	192.9	5,952.2	2.49 – 6.42%	5.35 – 7.00%	6.75 – 9.25%	11.2 – 60.5

Valuation 31 December 2017

Inputs 31 December 2017

Asset Type	Completed £m	Land & Development £m	Combined Property Portfolio £m	Initial Yield range	Exit Yield range	IRR range	Rental Value Range £m
Data Centres	5,093.4	280.7	5,374.1	2.50 – 5.86%	6.75 – 7.75%	7.00 – 10.25%	10.5 – 68.0
Group Total	5,093.4	280.7	5,374.1	2.50 – 5.86%	6.75 – 7.75%	7.00 – 10.25%	10.5 – 68.0

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Investment property values for each location are as follows:

Location	Country	Ownership	Value	Value
			2018	2017
			£m	£m
Amsterdam	The Netherlands	Leasehold (50 year term expiring 2045)	610.6	598.1
Frankfurt	Germany	Freehold	167.8	165.6
London North	United Kingdom	Freehold	345.6	344.9
London East	United Kingdom	Freehold	1,188.1	1,146.8
Madrid	Spain	Freehold	206.0	203.4
Paris East	France	Freehold	249.0	257.9
Paris West	France	Freehold	288.8	284.7
Singapore Tai-Seng	Singapore	Leasehold (30 year term expiring 2023)	664.8	639.8
Singapore Woodlands	Singapore	Leasehold (30 year term expiring 2039)	363.3	-
Sydney West	Australia	Freehold	824.3	824.1
Sydney East	Australia	Freehold	381.0	353.1
Hong Kong	Hong Kong	Leasehold (35 year term expiring 2047)	470.0	275.0
Total completed			5,759.3	5,093.4

Location	Country	Ownership	Value	Value
			2018	2017
			£m	£m
Hong Kong	Hong Kong	Leasehold (35 year term expiring 2047)	119.2	112.7
Singapore Woodlands	Singapore	Leasehold (30 year term expiring 2039)	-	120.9
Amsterdam	The Netherlands	Leasehold (50 year term expiring 2045)	26.1	23.2
Frankfurt North	Germany	Freehold	37.5	14.9
London South	United Kingdom	Freehold	10.1	9.0
Total development			192.9	280.7
Investment properties at valuation			5,952.2	5,374.1

Investment properties subject to leasehold ownership, excluding that of Hong Kong, all provide statutory renewal rights to the Group. The Group has the option to extend the Singapore Tai-Seng leasehold by a further 30 year term to 2053 and the valuation assumes that option will be exercised.

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 to be accounted for as operating leases.

Finance lease liabilities of £15.9 million (2017: £8.9 million) are split between current £1.1 million (2017: £1.9 million) and non-current £14.8 million (2017: £7.0 million), with corresponding liabilities shown in obligations under finance leases in the table below.

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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.

	2018 £m	2017 £m
Investment properties	5,862.2	5,290.7
Accrued income included in trade and other receivables	105.9	92.3
Obligations under finance leases included in current borrowings	(1.1)	(1.9)
Obligations under finance leases included in non-current borrowings	(14.8)	(7.0)
Investment properties at valuation	5,952.2	5,374.1

As at year end the Group had capital commitments in relation to expenditure on investment properties as follows:

	2018 £m	2017 £m
Capital commitments	111.9	142.8

16. Trade and other receivables

	2018 £m	2017 £m
Current		
Trade receivables	79.0	68.0
Accrued income and contract assets	115.2	99.5
Other receivables	19.8	12.7
Prepayments	1.5	3.1
	215.5	183.3

The Directors consider the carrying amount of those trade and other receivables that are classified as financial assets to approximate their fair value. Information about the Group's exposure to credit and market risks and impairment losses for trade and other receivables is included in note 8. Contract assets were introduced under IFRS 15 (see note 3.1) and largely replace accrued income as a classification within trade and other receivables. The majority of the contract assets and accrued income of the Group at 31 December 2018 and 31 December 2017 respectively relate to revenue recognised under IAS 17 *Leases*.

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional.

Within the trade receivables, accrued income and contract assets, and other receivables are related party amounts, as disclosed in note 25. Credit risk analysis is disclosed in note 8.

Reconciliation of gross to net carrying amounts for trade receivables and accrued income and contract assets

	Note	Trade receivables		Accrued income and contract assets	
		2018 £m	2017 £m	2018 £m	2017 £m
Gross carrying amount		82.0	71.9	115.6	99.5
Allowance for impairment	8	(3.0)	(3.9)	(0.4)	-
Net carrying amount		79.0	68.0	115.2	99.5

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17. Cash and cash equivalents

	2018 £m	2017 £m
Cash at bank and in hand	85.5	435.2
Customer deposits	2.0	2.3
Restricted cash	0.5	0.4
	88.0	437.9

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.

18. Trade and other payables

	2018 £m	2017 £m
Trade payables	10.8	10.2
Social security and other taxation	1.6	5.5
Accruals	58.2	53.2
Deferred income and contract liabilities	47.6	56.4
Other payables	5.5	7.7
Provisions	6.6	2.9
	130.3	135.9

The Directors consider the carrying amount of those trade and other payables that are classified as financial liabilities to approximate their fair value. All trade and other payables are payable within one year.

Within other payables are related party amounts, as disclosed in note 25.

19. Borrowings

	2018 £m	2017 £m
Current		
Obligations under finance leases	1.1	1.9
Guaranteed notes	-	268.4
Current borrowings	1.1	270.3
Non-current		
Bank loans*	20.7	(2.3)
Obligations under finance leases	14.8	7.0
Guaranteed notes	1,246.9	1,238.3
Non-current borrowings	1,282.4	1,243.0
Total borrowings	1,283.5	1,513.3

*Includes negative £1.9 million (2017: negative £2.3 million) in relation to unamortised debt issue costs on the 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 2018 the fair value of the:

- 4.375% guaranteed note £350.0 million was £377.0 million (2017: £350.0 million and £393.3 million fair value) maturing 2022.
- 6.25% guaranteed note A\$12.9 million was £7.5 million (2017: A\$12.9 million and £8.1 million fair value) maturing 2020.

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- 1.5% guaranteed note €500.0 million was £438.2 million (2017: €500.0 million and £452.0 million fair value) maturing 2024.
- 2.25% guaranteed notes €500.0 million was £431.0 million (2017: €500.0 million and £460.6 million fair value) 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 £22.6 million drawn at 31 December 2018 (2017: undrawn).

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 an A\$8.7 million premium. The excess funds were 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 26.

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

	Bank loans	Obligations under finance leases	Guaranteed notes	2018 Total
	£m	£m	£m	£m
2018				
Sterling	(1.9)	-	348.9	347.0
Singapore dollars	16.7	7.8	-	24.5
Australian dollars	-	-	7.1	7.1
Hong Kong dollars	5.9	0.1	-	6.0
Euro	-	8.0	890.9	898.9
	20.7	15.9	1,246.9	1,283.5

	Bank loans	Obligations under finance leases	Guaranteed notes	2017 Total
	£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

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

	2018 £m	2017 £m
Less than one year	1.2	1.9
Between one and five years	5.0	8.2
More than five years	44.0	0.7
	50.2	10.8
Future finance charges	(34.3)	(1.9)
	15.9	8.9
Less than one year	1.1	1.9
Between one and five years	3.9	6.5
More than five years	10.9	0.5
Present value of finance lease payables	15.9	8.9

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 Group 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.

	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
2018						
Trade and other payables		82.7	-	-	-	82.7
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%	0.4	7.6	-	-	8.0
Bank loans and borrowings- Fixed interest rate instruments	1.50%	6.7	6.7	20.2	455.6	489.2
Bank loans and borrowings- Fixed interest rate instruments	2.25%	10.1	10.1	30.3	489.3	539.8
Revolving credit facility	2.40%	-	-	22.6	-	22.6
		115.2	39.7	453.7	944.9	1,553.5

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	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		79.5	-	-	-	79.5
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
		396.1	32.5	438.6	952.0	1,819.2

20. Share capital and reserves

Share capital

	Authorised ordinary shares		Issued, allotted and fully paid ordinary shares	
	Number	£m	Number	£m
At 1 January 2017 and 31 December 2017 at par of US\$1.00	50,000	-	100	-
At 31 December 2018 at US\$0.01	5,000,000	-	10,000	-

The Company has one class of ordinary shares which carry no right to fixed income. At 1 January 2016, the Company had 100 issued, allotted and fully paid ordinary shares, which were owned by the sole shareholder Aldersgate Investments Limited. 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.

On 26 March 2018, the maximum number of shares the Company is authorised to issue was increased from 50,000 shares to 5,000,000. Following registration of the share increase, each issued and to be issued share of US\$1.00 was sub-divided into 100 shares of US\$0.01 par value each. This resulted in 5,000,000 authorised ordinary shares of US\$0.01 of which 10,000 were issued, allotted and fully paid.

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.

On 3 July 2018, Strategic IDC Limited acquired a 24.99% stake in Global Switch Holdings Limited from Aldersgate Investments Limited.

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

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Retained earnings

Retained earnings of £3,192.7 million (2017: £2,799.6 million) represent the cumulative net gains and losses recognised in the consolidated income statement less cumulative dividends to the shareholders.

Translation reserve

The translation reserve of negative £73.8 million (2017: negative £88.8 million) represents cumulative gains or losses recognised on retranslating the net assets of overseas operations into Sterling.

Hedging reserve

The hedging reserve of negative £91.8 million (2017: negative £90.9 million) 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 of £725.3 million (2017: £725.3 million) represent the net of capital contributions from the parent Company and the merger reserve which arose from the application of merger accounting.

21. Operating leases

Operating leases where the Group acts as lessee in accordance with IAS 17

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

	2018	2017
	£m	£m
Less than one year	0.2	0.2
Between two and five years	0.2	0.7
After more than five years	-	-
	0.4	0.9

Leases where the Group acts as a lessor in accordance with IAS 17

The following table sets out a maturity analysis for operating lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	2018	2017
	£m	£m
Less than one year	267.2	262.6
Between one and two years	255.7	227.2
Between two and three years	214.9	211.1
Between three and four years	186.2	177.5
Between four and five years	181.9	152.8
After more than five years	784.0	565.5
	1,889.9	1,596.7

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The Group's leasing activities as a lessor are described throughout the annual report and financial statements, including in:

- Significant accounting policies (note 3);
- Change in accounting policy – IFRS 15 (note 3.1);
- Revenue accounting policy (note 3.13);
- Revenue (note 9); and
- Investment properties (note 15).

22. Analysis of movements in net debt

	At 31 December 2017 £m	Cash flow £m	Other non-cash changes £m	Exchange movement £m	At 31 December 2018 £m
Cash and cash equivalents	(437.9)	350.5	-	(0.6)	(88.0)
5.5% guaranteed notes due 2018	268.4	(267.0)	-	(1.4)	-
4.375% guaranteed notes due 2022	348.8	-	0.1	-	348.9
6.25% guaranteed notes due 2020	7.5	-	-	(0.4)	7.1
1.50% guaranteed notes due 2024	441.0	-	0.4	4.1	445.5
2.25% guaranteed notes due 2027	441.0	-	0.7	3.7	445.4
Revolving credit facility	-	22.6	-	-	22.6
Capitalised bank loan fees	(2.3)	-	0.4	-	(1.9)
Finance leases	8.9	(1.1)	8.1	-	15.9
	1,075.4	105.0	9.7	5.4	1,195.5

23. 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 2018 (2017: £nil).

24. Contingent liabilities

In the ordinary course of business the Group 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 Group does not consider that the claim would be successful. The Group is confident of its legal positions, both as actual or potential plaintiff or defendant and that any commercial settlements due from the Group are not considered probable. The Directors have therefore concluded that no provision is required in respect of these matters.

25. Related party transactions

Details of the parent Company's subsidiaries and associates are shown in note 26. 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.

Where the nature of the relationships to relevant related parties is not disclosed in note 1, details are provided below.

During 2018, revenues totalling £48.6 million were recognised by the Group to Daily-Tech Hong Kong Co. Limited ("Daily-Tech"), a subsidiary entity of Daily-Tech Beijing Co. Limited, in connection with the provision of data centre services in Hong Kong and Singapore (31 December 2017: £14.9 million). 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.

As at 31 December 2018, the Group's balance sheet includes trade receivables due from Daily-Tech of £21.5 million (2017: £2.1 million), accrued income on agreements of £32.1 million (2017: £9.0 million) and deferred income of £3.5 million (2017: £1.0 million). Jiangsu Shagang Materials Trading Co. Ltd, a shareholder in the Group, has

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guaranteed the Group's financial assets due from Daily-Tech and facilitated the issuance of a bank guarantee in favour of the Group.

During 2018, the Group recharged Elegant Jubilee Limited for finance expenses of £10.0 million (included in finance income in note 13) and administrative expenses of £0.6 million incurred following the shareholder change (31 December 2017: £2.5 million relating to administrative expenses only). As at 31 December 2018, £11.7 million remained due to the Group (31 December 2017: £0.4 million).

Aldersgate Investments Limited acts as counterparty to the Group's forward foreign exchange contracts. 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. Four contracts matured in March 2018 and the group received a £16.4 million settlement from Aldersgate Investments Limited (2017: £8.5 million). See note 27.

No new forward foreign exchange contracts were entered into with Aldersgate Investments Limited in 2018. As at 31 December 2018, the group owed £nil in relation to these treasury transactions (31 December 2017: £nil).

Additionally, included in trade and other receivables are net amounts due from Aldersgate Investments Limited in relation to administrative and other services at normal commercial rates of £2.5 million (31 December 2017: £1.3 million receivable from Aldersgate Investments Limited). During 2018, Group entities recharged Aldersgate Investments Limited net amounts of £1.2 million.

26. Related undertakings

The companies shown below were related undertakings as at 31 December 2018. The Group owns 100% of the ordinary share capital of all of the companies below, except for those companies noted in footnotes 4, 5, 6 and 7 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	Dormant
Global Switch (London No. 2) Limited	England and Wales	Dormant
Global Switch Facilities Management Limited	England and Wales	Dormant
Funeven Limited ⁽⁷⁾	England and Wales	Ownership of real estate
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	Curaçao	Holding Company

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	Country of registration / incorporation	Nature of business
GS (NA) Company NV	Curaçao	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 £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 not owned by Global Switch Holdings Limited. However, Global Switch Holdings Limited is required to consolidate the company under the IFRS 10 definition of control.

⁽⁶⁾ A wholly owned subsidiary of Global Switch Group Limited.

⁽⁷⁾ The Group holds a 33.33% share in Funeven Limited.

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27. Hedging reserve

At 31 December 2018, the Group had entered into a portfolio of foreign exchange forward contracts:

Forward Currency	Nominal amount million	Maturity date
EUR	117.0	31 March 2019
AUD	114.0	31 March 2019
SGD	78.0	31 March 2019
HKD	187.0	31 March 2019

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

	2018 £m	2017 £m
Balance at 1 January	(90.9)	(85.3)
Loss on net investment hedge	(0.9)	(5.6)
Balance at 31 December	(91.8)	(90.9)

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

	2018 £m	2017 £m
Designated as net investment hedge	11.8	22.8
	11.8	22.8

In addition to the loss on net investment hedge of £0.9 million (2017: £5.6 million) recognised in other comprehensive income, the foreign exchange contracts carried at fair value have been subject to a fair value gain of £6.3 million recognised in the income statement (2017: loss of £3.1 million). The remaining £16.4 million net movement in the year is as a result of the related party settlement on contracts which matured in March 2018, disclosed in note 25.

28. Events after the reporting date

On 28 January 2019, the Group announced that, further to its announcement of 3 July 2018, the Board has resolved to commence preparations for a public listing on a leading international stock exchange in 2019, subject to market conditions.

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