

ANNUAL REPORT & FINANCIAL STATEMENTS

For the year ended 31 December 2016





KEY HIGHLIGHTS

£368.8m

Revenue

£254.3m

EBITDA

69.0%

EBITDA margin

New sites

Started in Hong Kong
and Singapore

£4.9b

CBRE property
valuation

£425m

New revolving
credit facility

Ten

Data centres across
seven markets

3.24m

Square feet of
gross space

291 MVA

Utility power supply
to data centres

GLOBAL SWITCH HOLDINGS LIMITED

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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Business Description

Global Switch is a leading owner, operator and developer of large-scale, network dense, carrier and cloud neutral, multi-tenanted properties in Europe and Asia-Pacific. Founded in 1998, Global Switch has a proven business model, demonstrable track record and is the highest credit rated data centre company in the world with investment grade credit ratings from Fitch, Moody's and Standard & Poor's.

Global Switch currently has ten large scale data centres located in "Tier I" markets, which are the key national and regional connectivity hubs, located in areas of population density and close to central business districts, with an aggregate gross floor area of over 300,000 square metres. We provide high specification technical space, resilient power and cooling, security, sophisticated infrastructure and environmental monitoring and other cloud and managed services to house their mission critical computer servers, network equipment and IT infrastructure.

New Strategic Investor

In December 2016, a consortium of high quality, private sector Chinese corporate and institutional investors made a strategic investment into Global Switch by acquiring a 49% stake in the company for £2.4 billion. The consortium's investment vehicle, Elegant Jubilee Limited, will support the expansion of the company, in particular by accessing the fast growing Chinese telecommunications and internet provider customers to support their growth outside of China. Aldersgate Investments Limited now jointly controls Global Switch with the consortium via a shareholders' agreement. There has however been no change to the strategic direction, management or financial and operational policies of Global Switch and, from a customer perspective, Global Switch will continue to provide highly resilient and secure data centre services.

The investors in the Elegant Jubilee consortium were assembled by Li Qiang, a successful entrepreneur and businessman with significant business experience in the Chinese telecommunications and internet markets, including through his shareholding in Daily-Tech Beijing Co., Ltd ("Daily-Tech"), one of China's leading data centre companies. The lead investor and sponsor of the consortium is Jiangsu Sha Steel Group, the largest private steel maker in China and a member of the Fortune Global 500 list of the world's biggest companies. Other leading investors include AVIC Trust, a joint venture asset management company owned by AVIC Capital and OCBC of Singapore, and major Asian institutional investors such as Essence Financial and Ping An Group, which are funding their investments through their respective private equity funds.

Li Qiang and Geoffrey Xu (Managing Director, Head of China Investment Banking, Daiwa Capital Markets Hong Kong Limited) representing the consortium have joined the board of Global Switch. They join Simon Reuben and Alexander Bushaev representing Aldersgate Investments Limited together with our Chief Financial Officer, David Doyle, and me as Executive Directors.

We have expanded our senior management team and created two distinct regional boards, UK/Europe and Asia-Pacific, to ensure that we maximise returns from increased customer activity and interest in our unique connectivity offering, and that we continue to develop as the data centre provider of choice for customers across the globe; now also including Chinese companies expanding into Asia and Europe, consistent with that country's Belt and Road initiatives.

At the end of the year we also announced two major customer pre-commitments, in Hong Kong and Singapore, tangibly illustrating the immediate benefits of the transaction and the scope for future growth. For the Hong Kong pre-commitment, China Telecom Global, the international arm of China Telecom, will, upon construction completion, become a major end customer through a direct service agreement with Daily-Tech. These pre-commitments are among the largest customer commitments made in the global data centre industry and will provide further asset and revenue diversification for Global Switch.

Global Switch and Daily-Tech signed a Joint Marketing Agreement in January 2016, under which Global Switch will refer its customers seeking data centre capacity in China to Daily-Tech. Daily-Tech will provide referrals to Global Switch of Chinese customers seeking to expand into Europe and elsewhere in Asia-Pacific. Global Switch, through Daily-Tech, has already secured further agreements and committed interest with the Chinese telecommunications companies and other important Chinese businesses, to take services in Global Switch data centres.

Global Switch has also entered into a joint venture with Daily-Tech to develop a new data centre in the Shanghai Free Trade Zone. A suitable land plot has recently been identified with initial evaluation and design works currently underway.

After the year end, we signed a Memorandum of Understanding with Huawei, a leading global information and communication technology solutions providers. Global Switch wants to not only take full advantage of their products, particularly around network connection, energy efficiency optimisation and smart management in order to help us improve our data centre operations while reducing our operating costs, but also by becoming Huawei's data centre supplier of choice. Global Switch also entered into co-operation framework agreement with China Telecom Global and Daily-Tech on 25 April 2017. This agreement establishes Global Switch as preferred supplier to China Telecom Global and Daily-Tech, allowing the parties to enter into further arrangements involving data centre facilities, including collaboration in developing new markets, adding to Global Switch's international footprint and capacity and the joint marketing and provision of data centre, network and systems integration services.

Market Overview

The data centre industry has seen a very buoyant period over the past 12 months. There has been strong demand, continued good supply, and several large mergers. Of the three largest deals, two of them were in markets in which we operate. This level of merger activity echoes the strength of demand from customers, with particular growth in the cloud space. Global Switch's management have reviewed all of the key acquisition opportunities in the market during the year, but did not identify a set of assets that were sufficiently consistent with the company's Tier 1 market, large-scale, network dense, carrier and cloud neutral, multi-tenanted data centre strategy.

European demand has continued to grow in 2016, with activity in London recovering from recent years, although Paris has remained subdued. CBRE has reported that 70% of the demand has come from cloud and IT providers. However there has been further new supply, particularly in Amsterdam, Frankfurt and London, which has resulted in limited change in the net absorption of available space. There has also been continued strong growth in Asia-Pacific. 451 Research's Q4 2016 Datacenter KnowledgeBase, forecasts compound growth in multi tenant data centre revenue in the APAC region at a rate of 12% between 2016 and 2021. This compares to 8% in North America and 10% in EMEA and supports the decision by Global Switch to accelerate its expansion in its existing Asia Pacific markets.

These growth rates are underpinned by the same drivers we have observed over the past three years. Growth in IP traffic reflects the increase in data consuming applications and devices, growth in high-bandwidth content including music and video, and the continuing decline in the cost per bit of internet data consumption. Increased adoption of cloud computing services and the trend to data centre outsourcing and increasing regulation and legislation around the storage of data, particularly for financial institutions, underpin our confidence in this industry.

As well as the substantial pre-commitment agreements signed with Daily-Tech we have also concluded major transactions with existing customers, in particular with cloud and technology companies headquartered in the United States. This is evidence of companies being attracted to our network dense, carrier and cloud neutral environment as well as the desire for locations where they can seamlessly interconnect with an array of enterprises, internet/content, media, and other cloud and telecoms companies.

Global Switch has also negotiated a number of large scale and long term contract extensions and renewals with a number of its major customers during the period and has generally seen positive performance on average renewal rates and high customer retention rates. We have continued to progress initiatives to maximise the utilisation of space within the portfolio with planned redevelopment, upgrade works and provisioning of higher power densities being delivered and/or progressing across a number of our existing sites.

Developments

In order to satisfy the substantial pre-commitments with Daily-Tech for Hong Kong and Singapore, we have accelerated our development activity with major construction works currently taking place in three of our locations. However, we remain absolutely committed to a strict and clearly defined development strategy which includes significant pre-commitments, staged construction to minimise costs prior to revenue generation, full completion security packages and developments in Tier 1 markets close to our main customer base. Our development methodology focuses on the identification, transfer and mitigation of risk at all stages through the construction process. In anticipation of this further development activity, in recent years we have increased the capacity of our Delivery Group in order to have full capability in both Europe and Asia-Pacific.

The construction of the first stage, Buildings 1 and 2, of our Hong Kong data centre has progressed well during the year and remains on budget and on timetable to become fully operational by mid-2017. The new data centre, providing 100 MVA of utility power capacity, will be the eleventh in Global Switch's expanding portfolio and is located on the Tseung Kwan O (TKO) Industrial Estate, adjacent to the TKO cable landing station and close to other major submarine cable landing stations, providing strong connectivity to the city's central business districts. We have now also commenced piling works on the second stage, Buildings 3, 4 and 5, of the data centre which are due to complete shortly. Construction is due to start on Building 3 in July 2017, with construction of Buildings 4 and 5 expected to start towards the end of the year.

In order to take full advantage of the further opportunities that are opening up following the strategic investment, Global Switch is in advanced negotiations for an increased power supply from CLP and with Hong Kong Science & Technology Parks for an increased plot ratio and allowable gross floor area for the site. This would allow the development to have an increase in height and space on Buildings 4 and 5 and for the delivery of a larger 71,000 gross square metre scheme in Hong Kong. Once all stages are complete the data centre will become the largest carrier neutral data centre in Hong Kong. Customers will have access to a range of cloud and advanced managed services, including on-site smart remote hands, infrastructure management, data storage and monitoring, security and a customer portal. This combination will facilitate the creation of a highly secure, scalable and connected business ecosystem, which will act as a catalyst for customer growth.

In a second substantial pre-commitment, Daily-Tech will become, upon construction completion, Global Switch's first major customer at our second data centre in Singapore, a new 25,000 gross square metre facility located in the Woodlands area in the North of the island. Piling has now been completed and the main construction contract has been awarded following a competitive tender process for the works. Construction is due for completion by Q3 2018. The data centre will provide multiple connectivity options to connect with the dense ecosystem already operating from within Global Switch's existing Singapore Tai Seng data centre, which is recognised as being one of the most important communications hubs in the Asia-Pacific region. The data centre will offer two diverse entry points as well as three dedicated Meet Me Rooms planned to provide excellent diversity for connectivity.

In Sydney construction continues on the second and third stages of our Sydney East data centre. Completion is on track for the fourth quarter of 2017 for the initial floors allocated to existing pre-commitment customers with remaining space coming onto the market progressively. On completion of the final stages of the development, Global Switch's Sydney campus will span 73,000 gross square metres with 83MVA of utility power capacity.

In Frankfurt we are in advanced stages of securing a significant pre-commitment which would allow Global Switch to progress to the construction of Frankfurt North, a new 11,000 gross square metre data centre adjacent to our existing Frankfurt South facility. Planning submissions are progressing with a determination anticipated later in the year. Likewise, pre-commitment interest in Amsterdam has led us to accelerate a planning application for a further extension at that site.

In addition to our new developments, we have continued to invest in our existing portfolio by selectively re-developing existing space to meet customer demand and to increase our return on capital. Across Europe we are investing in the upgrade of existing technical space and the associated base infrastructure; improving energy efficiency and increasing power densities in large private suites from the design capacity of 750W/sqm to 2000W/sqm for our major cloud based customers. We are also improving access for our carrier and cloud service providers in our London North and Madrid data centres by building new Meet me Rooms (MMRs).

Connectivity

The scale and established nature of our sites and the truly long term partnerships we have developed for many of our largest customers combined with the Global Switch's continued investment and redevelopment of its infrastructure means our ecosystems are market leading and that they continue to stay fresh and relevant. Our physical locations within cities, close to the key business districts and populations centres, mean we provide a true low latency access platform. Our approach is also bespoke and tailored, with space fitted out to customer requirements and services such as fibre connectivity delivered in a way which fits their own model and security requirements. With the addition of new MMR facilities, structured cabling systems and subsea cable landing capabilities across our portfolio, we continue to set high standards that our customers recognise and value.

We are committed to being carrier, cloud and services neutral. As part of this strategy we are keen to further promote our extensive service provider community and our customer portal now includes a built in "Marketplace" to allow our customers to promote and deliver their services to each other. This window into our Ecosystem will enhance interconnection opportunities and set us up to be a digital hypermarket and a hub for the new generation of smart city infrastructure solutions.

Financial highlights

All three of our credit rating agencies have been supportive of both the diversification in our shareholders and the expansion plans in Hong Kong, Singapore and Sydney given the significant level of pre-commitments, strong transaction completion security and staged construction which minimises cost prior to revenue generation. Following the strategic investment announcement, Moody's has confirmed its Baa2 rating with stable outlook, noting the change in shareholding as a credit positive, given it broadens and diversifies the shareholder base. Fitch Ratings also confirmed there would be no effect on the company's BBB+ rating and Standard & Poor's affirmed its BBB rating credit assessment. As a result, Global Switch remains the highest credit rated data centre company in the world.

The rating agency opinions recognise the company's consistent track record of delivery and its high quality portfolio of data centres. Importantly, they also enable Global Switch to access the deepest and most consistently available pools of liquidity to increase our financial flexibility and to reduce our cost of capital further. In a capital intensive industry such as ours, lowering the cost of capital is a fundamental driver of future profitable growth. Accordingly, we remain committed to maintaining a strong investment grade credit rating.

In order to streamline our group financial reporting processes and for standardisation with many large global companies we have taken the opportunity to change our accounting reference date to 31 December.

We successfully closed just after the year end a new £425 million revolving credit facility (RCF), upsized from £375 million. The new RCF is on highly attractive terms for Global Switch and benefits from a longer duration as well as improved pricing compared to the previous RCF. The committed facility term matures in April 2021, with the option of two further one year extensions. The new margin, at 95 bps with a low non utilisation fee, together with other improved financial terms, represents industry leading pricing, thus enabling Global Switch to continue to deliver value for money solutions for its customers as well as superior returns for its shareholders.

Global Switch's revenue, for the year ended 31 December 2016 was £368.8 million (2015: £349.2 million) and its EBITDA was £254.3 million (2015: £241.0 million).

GLOBAL SWITCH HOLDINGS LIMITED

CHIEF EXECUTIVE'S STATEMENT

	12 months ended 31 December 2016	12 months ended 31 December 2015	Increase/ (decrease) %
Revenue	368.8	349.2	5.6%
EBITDA	254.3	241.0	5.5%
<i>EBITDA margin</i>	<i>69.0%</i>	<i>69.0%</i>	-
Investment property valuation	4,947.7	4,254.9	16.3%

Revenue has increased by 5.6% from the prior year from £349.2m to £368.8m. The EBITDA margin is 69.0% (2015: 69.0%). In accordance with industry convention and accounting standards, we account for power on a gross basis with power being included in both revenue (power cost recoveries from our customers) and costs (supplied power costs). While the company continues to recover all power costs from its customers, this accounting treatment has the effect of reducing reported EBITDA margins. The EBITDA margin if power is accounted for on a net basis is 80.7% for the year ended 31 December 2016 (2015: 81.8%), compared to 69.0% (2015: 69.0%) on a gross basis.

Global Switch's data centres and associated land interests have a property value of £4,947.7million as at 31 December 2016 (2015: £4,254.9 million), as independently valued by CBRE Limited. This represents a 16.3% increase over the prior year and a 4.1% increase at constant exchange rates. The increase reflects the continuing strong performance of the properties and new development capital expenditure incurred over the period.

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 net debt to EBITDA for the last twelve months and loan to value ratios of 3.7:1 and 19% respectively as at 31 December 2016, compared to 3.7:1 and 21% as at 31 December 2015.

These leverage ratios compare very favourably to Global Switch's data centre peers, and are lower than that of our 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 strong investment grade credit ratings.

As at 31 December 2016, gross assets were £5,243.3 million (2015: £4,482.8 million) and net assets were £3,042.0 million (2015: £2,559.1 million). Under International Financial Reporting Standards ("IFRS"), it is necessary to provide a deferred tax liability in respect of increased property values, irrespective of the likelihood of the tax liability crystallising in the future. Accordingly, Global Switch's balance sheet includes a deferred tax liability associated with the investment properties of £792.3 million (2015: £698.8 million), which would only arise if the data centre properties were sold as individual assets. We believe that the likelihood of this occurring is remote. Excluding the deferred tax liability, the Group's net assets as at 31 December 2016 would increase from £3,042.0 million to £3,834.3 million (2015: £2,559.1 million to £3,257.9 million).

Dividends

In December 2016 a £13.2 million total dividend for the year was declared and paid. For the year ended 31 December 2015, £234.7 million was declared and paid. In order to fund our various new development activities, the shareholders have resolved that Global Switch will not pay any further dividends before at least March 2019.

Outlook

We are committed to continuing to provide market leading facilities that deliver the reliability, world class security and flexibility that all our customers have come to expect as we enter the next phase of growth and development of the business. Our new strategic investor will continue to open up opportunities for Global Switch to become the data centre provider of choice for new customers from across the globe, and especially Chinese companies expanding in Asia and Europe and Western companies growing in China. However, our strategy and financial and operational policies remain unchanged, the same management is in place, and risk minimisation through policies such as requiring pre-commitments on any new developments will continue.

Despite the United Kingdom voting to leave the European Union and a degree of global political uncertainty, we have seen no related change in customer data centre letting decisions and do not anticipate any near term impact on our operations. It is important to note our business is driven by long term demand drivers which are not overtly linked to GDP, employment or consumer confidence. Therefore, with our new shareholders fully supportive of our continued expansion plans, the significant opportunities offered by China's Belt and Road policy, a customer base diversified by industry and geography, and continued demand drivers, we enter this forthcoming year with considerable confidence and excitement for the future.

Finally I would like to take this opportunity to thank all our customers, employees and suppliers for their support this year and look forward to another successful year ahead.



John Corcoran
Chief Executive Officer
10 May 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

Report on the audit of the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2015 and at 31 December 2016 and of the Group's results for the years then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;

The financial statements we have audited 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 25.

The financial reporting framework that has been applied in the preparation of the Group financial statements 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 (ISAs). 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), 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	The key audit matters identified in respect of 2015 and 2016 were: <ul style="list-style-type: none">• Valuation of the investment properties; and• Recognition of income from investment properties.
Materiality	The materiality that we used was £25 million for 2015 and £30 million for 2016 on the basis of 1% of Total equity in the respective years.
Scoping	All components of the Group were subject to full scope audits for both 2015 and 2016.

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 and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. The key audit matters below have been identified as key audit matters in respect of 2015 and 2016 years' audits. 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.

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

Key audit matter description	How the scope of our audit addressed the key audit matter	Key observation
Valuation of the investment properties		
<ul style="list-style-type: none"> The Group investment properties portfolio consists of data centre properties operational and in development across Europe and Asia-Pacific. The valuation of investment properties is a key audit matter due to its magnitude in the context of these financial statements and 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 at the 2015 and 2016 year ends. <p>See note 12 on page 33 and discussion within note 3 critical accounting estimates on page 27.</p>	<ul style="list-style-type: none"> We verified the accuracy of the tenancy information used by the Group's external valuers in performing their valuation in respect of 2015 and 2016 by agreeing a sample to underlying lease agreements and assessed it for completeness; We assessed the independence, competence and integrity of the external valuers. Our internal real-estate valuation specialists assessed the 2015 and 2016 valuations of the data centre properties in operation and under development performed by the Group's external valuer, evaluated the valuation methodology used and verified the validity of estimates used through reference to comparable market benchmarks. 	<p>We concluded that the estimates used in the valuation of the Group's property portfolio were within the reasonable range as determined with reference to the determined materiality for 2015 and 2016.</p>

Key audit matter description	How the scope of our audit addressed the key audit matter	Key observation
Recognition of income from investment properties		
<ul style="list-style-type: none"> Revenues comprise rental income including adjustments for any applicable lease incentives and from the provision of power and additional services. The recognition of income is considered to be a key audit matter because of the high volumes of revenue transactions and significance to the Group's results and property valuations. <p>See note 5 on page 29.</p>	<ul style="list-style-type: none"> We evaluated the Group's policy in respect of revenue recognition for both 2015 and 2016 in terms of the accounting standards; For a sample of tenants, we verified the supporting lease documentation and recalculated the rental income including the impact of lease incentives for 2015 and 2016 on the basis of the lease terms and the Group's policy; and We tested a sample of revenue from provision of power and additional services for 2015 and 2016 by agreeing to contractual agreements and verifying underlying source data and calculations. 	<p>The Group's revenue recognition policy is in line with the applicable accounting standards and was applied consistently in 2015 and 2016. We concluded that the revenue for the two years is recognised in line with the policy.</p>

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

Our application of materiality

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

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

Group materiality	£25 million for 2015 and £30 million for 2016
Basis for determining materiality	We determined materiality for the Group to be 1% of Total equity in 2015 and 2016 respectively.
Rationale for the benchmark applied	We determined materiality with reference to Total equity because it is driven by the valuation of the Group's property portfolio which is a key measure of shareholder wealth.

We applied a lower threshold of £12.5 million for 2015 and £12.5 million for 2016 which equates to 5% of EBITDA for the respective years for testing all balances impacting EBITDA.

We reported all audit differences in excess of £0.5 million in respect of 2015 and £0.6 million in 2016 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 full scope audits in respect of both 2015 and 2016.

The Group audit team are responsible for the work performed on the parent entity, the UK and Hong Kong components and the audit of the valuation of the investment property portfolio in respect of 2015 as well as 2016. At the parent entity level we tested the consolidation process and carried out analytical procedures on the aggregated financial information for 2015 and 2016. Component audit teams performed the audit work for France, Germany, the Netherlands, Spain, Singapore and Australia for both 2015 and 2016. In respect of 2015 and 2016, we participated in the component audit teams' planning and risk assessment, reviewed the documentation of the findings from their work and also participated in their audit close meetings.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Chief Executive's Statement, but does not include 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 auditor's 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 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 this regard.

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

Responsibilities of the 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 company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matter

Our audit work has been undertaken in accordance with our engagement letter dated 14 April 2017 and solely for the purpose of the company complying with the requirement of Listing Rule 17 and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Goodey, FCA

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors

London, United Kingdom

10 May 2017

GLOBAL SWITCH HOLDINGS LIMITED
CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Note	Revenue Account £m	Capital Account £m	Total 2016 £m	Revenue Account £m	Capital Account £m	Total 2015 £m
Revenue	5	368.8	-	368.8	349.2	-	349.2
Cost of sales		(105.2)	-	(105.2)	(98.4)	-	(98.4)
Administration expenses		(9.5)	-	(9.5)	(9.8)	-	(9.8)
Operating profit before other gains/(losses)		254.1	-	254.1	241.0	-	241.0
Revaluation gain on investment properties	12	-	79.5	79.5	-	355.3	355.3
Operating profit	6	254.1	79.5	333.6	241.0	355.3	596.3
Finance income		(0.2)	-	(0.2)	1.4	-	1.4
Finance costs		(50.9)	-	(50.9)	(49.3)	-	(49.3)
Foreign exchange gains/(losses)		157.5	-	157.5	(40.4)	-	(40.4)
Other financing items		1.2	-	1.2	2.2	-	2.2
Net finance income/(costs)	9	107.6	-	107.6	(86.1)	-	(86.1)
Profit before tax		361.7	79.5	441.2	154.9	355.3	510.2
Current tax		(23.2)	-	(23.2)	(16.0)	-	(16.0)
Deferred tax		(0.4)	(14.5)	(14.9)	(1.9)	(63.3)	(65.2)
Tax expense	10	(23.6)	(14.5)	(38.1)	(17.9)	(63.3)	(81.2)
Profit for the year		338.1	65.0	403.1	137.0	292.0	429.0

The total column represents total consolidated income for the year.

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

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

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

For the year ended 31 December 2016

	2016	2015
	£m	£m
Profit for the year	403.1	429.0
Items that will be reclassified subsequently to profit or loss		
Foreign exchange translation differences net of tax	164.3	(52.1)
Losses on a hedge of net investments taken to equity	(71.3)	(3.0)
Total comprehensive income for the year	496.1	373.9

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

GLOBAL SWITCH HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Note	2016 £m	2015 £m
Assets			
Non-current assets			
Investment properties	12	4,867.2	4,184.1
Property, plant and equipment	13	5.4	4.1
Derivative financial instruments	24	19.0	1.1
		4,891.6	4,189.3
Current assets			
Trade and other receivables	14	164.7	167.7
Cash and cash equivalents	15	166.0	103.9
Derivative financial instruments	24	21.0	21.9
		351.7	293.5
Total assets		5,243.3	4,482.8
Liabilities			
Non-current liabilities			
Borrowings	17	(926.9)	(993.9)
Deferred tax	18	(929.8)	(806.8)
		(1,856.7)	(1,800.7)
Current liabilities			
Borrowings	17	(182.8)	(1.6)
Trade and other payables	16	(146.3)	(109.8)
Current tax		(15.5)	(11.6)
		(344.6)	(123.0)
Total liabilities		(2,201.3)	(1,923.7)
Net assets		3,042.0	2,559.1
Equity			
Share capital	19	-	-
Retained earnings		2,466.6	2,076.7
Translation reserve		(64.6)	(228.9)
Hedging reserve	24	(85.3)	(14.0)
Other reserves		725.3	725.3
Total equity		3,042.0	2,559.1

These financial statements were approved by the Board of Directors and authorised for issue on 10 May 2017.



John Corcoran
Director

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

GLOBAL SWITCH HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2016

	Share capital £m	Retained earnings £m	Translation reserve £m	Hedging reserve £m	Other reserves £m	Total £m
At 31 December 2014	-	1,882.4	(176.8)	(11.0)	725.3	2,419.9
Profit for the year		429.0	-	-	-	429.0
Other comprehensive income	-	-	(52.1)	(3.0)	-	(55.1)
Total comprehensive income	-	429.0	(52.1)	(3.0)	-	373.9
Dividends	-	(234.7)	-	-	-	(234.7)
At 31 December 2015	-	2,076.7	(228.9)	(14.0)	725.3	2,559.1
Profit for the year	-	403.1	-	-	-	403.1
Other comprehensive income	-	-	164.3	(71.3)	-	93.0
Total comprehensive income	-	403.1	164.3	(71.3)	-	496.1
Dividends	-	(13.2)	-	-	-	(13.2)
At 31 December 2016	-	2,466.6	(64.6)	(85.3)	725.3	3,042.0

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

GLOBAL SWITCH HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 £m	2015 £m
Operating activities			
Profit before tax		441.2	510.2
<i>Adjustments for</i>			
Finance income		0.2	(1.4)
Finance costs		50.9	49.3
Foreign exchange (gains)/losses		(157.5)	40.4
Other financing items		(1.2)	(2.2)
Depreciation of property, plant and equipment		0.2	-
Revaluation gain on investment property		(79.5)	(355.3)
Movement in trade and other receivables		(77.1)	(11.8)
Movement in trade and other payables		40.4	(0.9)
Cash generated from operations		217.6	228.3
Interest received		(0.2)	1.4
Tax paid		(19.4)	(11.5)
Net cash flows from operating activities		198.0	218.2
Investing activities			
Purchase of property, plant and equipment		(1.5)	(2.8)
Construction of and improvements to investment properties		(110.9)	(10.7)
Net cash flows used in investing activities		(112.4)	(13.5)
Financing activities			
Dividend paid		(13.2)	(234.7)
Proceeds from shareholder loans		180.9	-
Proceeds from bank loans		585.5	812.7
Repayment of bank loans		(745.0)	(714.2)
Sale of Bonds		12.4	-
Interest paid		(50.0)	(46.1)
Bank charges paid		(0.9)	(3.2)
Net cash flows used in financing activities		(30.3)	(185.5)
Net increase in cash and cash equivalents		55.3	19.2
Cash and cash equivalents at beginning of year		103.9	86.4
Exchange movements		6.8	(1.7)
Cash and cash equivalents at end of year	15	166.0	103.9

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. General information

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

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

2. Significant accounting policies

Basis of preparation

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

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

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

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

Accounting period

For the year ended 31 December 2016, Global Switch has changed its accounting reference date from 31 March to 31 December and as a result have elected to show comparative financial information for the year ended 31 December 2015.

Going concern

Based on the Group’s cash flows forecast, available cash balances and headroom under its revolving credit facility the Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Basis of consolidation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. Significant accounting policies (continued)

Basis of consolidation (continued)

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

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

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

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

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

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

Performance measures

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

Foreign currency transactions and translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Pounds Sterling ("£"), which is the Company's and Group's functional and presentation currency.

2. Significant accounting policies (continued)

Foreign currency transactions and translation (continued)

Transactions and balances

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

Group companies

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

Investment properties

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

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

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

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

Leasehold properties

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

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

Depreciation

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

Tenant leases

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 leased to customers and have determined that such leases are operating leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. Significant accounting policies (continued)

Property, plant and equipment

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

- Leasehold improvements - over the length of the lease;
- Fixtures and fittings - 3 years; and
- Computer equipment - 3 years.

Impairment of assets

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

Lease obligations

Finance leases

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

Operating leases

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

Segmental information

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

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

Revenue

Rental income from investment properties

Rental income from investment properties leased out to customers under operating leases are recognised in the income statement on a straight-line basis over the lease term including any fixed indexation.

Lease incentives are amortised over the lease term.

Provision of power

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. Significant accounting policies (continued)

Revenue (continued)

Provision of additional services and other revenue

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

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

Retirement benefit costs

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

Taxation

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

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

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

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

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

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

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. Significant accounting policies (continued)**Financial assets**

The Group classifies its financial assets as loans and receivables.

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

Trade and other receivables

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

Cash and cash equivalents

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

Financial liabilities

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

Trade and other payables

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

Bank loans, related party borrowings and guaranteed notes

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

Derivative Financial Instruments

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

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

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

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.

2. Significant accounting policies (continued)

De-recognition of financial liabilities

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

Hedges of net investments in foreign operations

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

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

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

Share capital

Ordinary shares are classified as equity.

Reserves

Translation reserve

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

Retained earnings

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

Hedging reserve

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

Other reserves

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

Capital

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

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

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IFRS 10 & 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 27	Equity Method in Separate Financial Statements
Annual Improvements	Annual improvements to IFRSs 2012-2014 Cycle

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

IFRS 16	Leases
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 2 (amendments)	Classification and Measurement of Share-based Payments
IFRS 7 (amendments)	Disclosure initiative
IFRS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Annual Improvements	Annual Improvements to IFRSs 2014-2016 cycle

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below: IFRS 9 will impact both the measurement and disclosures of financial instruments. IFRS 15 may have an impact on revenue recognition and related disclosures and IFRS 16 will impact the measurement and disclosures of leases where the Group acts as a lessee. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9, IFRS 15 and IFRS 16 until a detailed review has been completed.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. Significant accounting policies (continued)**Market risk (continued)***Foreign exchange risk (continued)*

Global Switch has not and does not currently intend to enter into hedging transactions in relation to the interest and capital repayments associated with the €600 million Guaranteed Notes due 2018, £350 million Guaranteed Notes due 2022, or A\$100 million Guaranteed Notes due 2020.

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

Global Switch's policy is to hedge the risk of changes in relevant spot exchange rates to the extent that they are expected to impact on EBITDA. Global Switch uses forward exchange contracts as hedges of net investments from foreign operations to the extent required. All derivatives are entered into with counterparties who are considered to be of acceptable creditworthiness.

The year end and average exchange rates used when translating the results for the year to Sterling were as follows:

	2016		2015	
	Year end	Average	Year end	Average
Euro	0.8533	0.8172	0.7358	0.7246
Singapore Dollar	0.5603	0.5344	0.4762	0.4762
Australian Dollar	0.5840	0.5479	0.4909	0.4904
Hong Kong Dollar	0.1046	0.0951	0.0870	0.0845

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 £46.6 million lower/higher (2015: £109.4 million lower/higher) and would have decreased/increased equity by £838.6 million (2015: £689.6 million decrease/increase). 30% was used as a benchmark to reflect the Sterling volatility following the Brexit vote.

Interest rate risk

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

Had the average LIBOR interest rate over the course of the year applicable to cash and cash equivalents and borrowings increased by 100bp, then the profit for the year and net assets would have decreased by £0.6 million (2015: decreased by £0.2 million). Had the average LIBOR interest rates decreased by 100bp, then the profit for the year and net assets would have increased by £0.6 million (2015: increased by £0.2 million).

Price risk

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

Credit risk

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

The Company's credit risk on liquid funds 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. Significant accounting policies (continued)

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

Liquidity risk

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

Estimate of fair value of investment properties

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

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

Deferred Taxation

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

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

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

Current Taxation

The Group is subject to tax in a number of jurisdictions and judgement is required in determining the worldwide provision for income taxes. The Group provides for future liabilities in respect of uncertain tax positions where additional tax may become payable in future periods and such provisions are based on management's assessment of exposures.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. Financial instruments

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

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

Financial assets

	Note	Loans and receivables	
		2016	2015
		£m	£m
Trade receivables	14	57.5	59.1
Other receivables	14	2.2	3.0
Amounts due from related parties	14	-	0.6
Cash and cash equivalents	15	166.0	103.9
		225.7	166.6

Derivative Assets

	Note	2016	2015
		£m	£m
Current derivatives	24	21.0	21.9
Non-current derivatives	24	19.0	1.1
		40.0	23.0

Financial liabilities

	Note	Financial liabilities at amortised cost	
		2016	2015
		£m	£m
Trade payables	16	21.0	3.6
Amounts due to related parties	16	23.1	-
Social security and other taxation	16	7.5	8.6
Accruals	16	46.3	40.2
Other payables	16	5.5	6.4
Bank loans and borrowings	17	1,109.7	995.5
		1,213.1	1,054.3

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

	Note	Income Statement	
		2016	2015
		£m	£m
Loans and receivables	9	(0.2)	1.4
Financial liabilities	9	(50.9)	(49.3)
Derivatives		17.5	4.8
		(33.6)	(43.1)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. Financial instruments (continued)

	Note	Other Comprehensive Income	
		2016	2015
		£m	£m
Derivatives	24	(71.3)	(3.0)
		(71.3)	(3.0)

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

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

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

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

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

5. Revenue

The Group's revenue arises from the following:

	2016	2015
	£m	£m
Rental income from investment properties	258.5	243.0
Provision of power	53.8	54.5
Provision of additional services and other revenue	56.5	51.7
	368.8	349.2

The Group's customer base is broad and diversified with only one customer accounting for more than 10% of the Group's total revenue and that customer is contractually and geographically diversified having entered into multiple contracts across eight of the Group's ten data centres, with total revenue of £43.3 million (2015: £41.7 million).

6. Operating profit

	Note	Income Statement	
		2016	2015
		£m	£m
Employee benefit expense	8	17.0	12.0
Depreciation of property, plant and equipment	13	0.2	-
Direct operating expenses - Property		87.6	86.2
Operating lease expense - Property		0.2	0.2
Other administrative expenses		7.6	9.6
Revaluation gain on investment properties	12	(79.5)	(355.3)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

6. Operating profit (continued)**Reconciliation between Operating Profit and EBITDA**

	2016	2015
	£m	£m
Operating profit	333.6	596.3
Add Depreciation of property, plant and equipment	0.2	-
Less Revaluation of investment property	(79.5)	(355.3)
EBITDA	254.3	241.0

7. Services provided by the Group's auditor

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

	2016	2015
	£m	£m
Audit of Group financial statements	0.5	0.1
Audit of financial statements of subsidiaries	0.2	0.2
Total audit services	0.7	0.3
Other services	-	-
Total non-audit services	-	-
Total	0.7	0.3

The audit fees includes the fee to date for the audit of the financial statements for the year ending 31 December 2016 and comparative period of 31 December 2015 as well as for the previous financial statements for the years ending 31 March 2016 and 31 March 2015.

8. Employee benefit costs

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

	2016	2016	2015	2015
	Average	Year end	Average	Year end
	Number	Number	Number	Number
Property management	107	105	99	102
Sales	21	22	20	19
Administration	59	58	54	58
Group total	187	185	173	179

Aggregate employee benefit costs of those people amounted to:

	2016	2015
	£m	£m
Wages and salaries	10.7	9.4
Performance related bonus	4.0	0.6
Social security costs	1.4	1.3
Retirement benefit costs - defined contribution schemes	0.9	0.7
	17.0	12.0

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

8. Employee benefit costs (continued)

Key management compensation

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

	2016 £m	2015 £m
Salaries, incentives, bonuses, benefits and consultancy fees	2.2	1.3
Retirement benefit costs	0.1	0.1
	2.3	1.4

9. Net finance costs

	2016 £m	2015 £m
Bank and other interest	(0.2)	1.4
Finance income	(0.2)	1.4
Interest payable on bank loans	(1.4)	(0.5)
Other finance cost	(1.0)	(4.4)
Interest payable on guaranteed notes	(44.6)	(40.0)
Bank loan facility fee	(2.8)	(4.0)
Amortisation of costs and discount on issue	(1.1)	(0.4)
Finance costs	(50.9)	(49.3)
Foreign exchange gain/(loss)	157.5	(40.4)
Other	1.2	2.2
Other financing item	1.2	2.2
Net finance income/(costs)	107.6	(86.1)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

10. Tax

a) Analysis of charge for the year

	2016 £m	2015 £m
Current tax expense		
On net income before revaluations	23.2	16.0
Total current tax expense	23.2	16.0
Deferred tax expense		
Current period	26.0	92.0
Reduction in tax rate	(11.1)	(26.8)
Total deferred tax expense	14.9	65.2
Tax expense	38.1	81.2

b) Factors affecting tax charge for the year

	2016 £m	2015 £m
Profit before tax	441.2	510.2
Tax calculated at the domestic rate applicable to the profits in each country concerned	50.9	113.5
Permanent differences	0.4	(0.7)
Losses carried forward	0.5	-
Other deferred tax adjustments	(2.6)	(4.8)
Reduction in tax rate	(11.1)	(26.8)
Tax charge	38.1	81.2

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted in the United Kingdom on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date. In addition to the UK, Spain has reduced its corporation tax from 30% to 25% from 1 January 2016. The impact of these reductions in the tax rates to the financial statements is a reduction in deferred tax liabilities of £11.1m (2015: £26.8m) with respect to the UK and Spanish companies in the Group based on the deferred tax balance as at 31 December 2016. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The weighted average statutory tax rate across the Group's countries of operation was 11.5% (2015: 22.2%) based on profit before tax.

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

11. Dividends

	2016 £m	2015 £m
Amounts recognised as distributions to equity holders in the period:		
Dividends paid	13.2	234.7
	13.2	234.7

Dividends for the year ended 31 December 2016 represents £0.13 million per share (2015: £2.35 million per share).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

12. Investment properties

	2016 Completed £m	2016 Development £m	2016 Total £m	2015 Completed £m	2015 Development £m	2015 Total £m
At 1 January	4,018.7	154.7	4,173.4	3,904.6	32.5	3,937.1
Additions	30.9	80.0	110.9	6.8	3.9	10.7
Transfers	-	-	-	3.8	-	3.8
Revaluation adjustment	(20.0)	99.5	79.5	238.6	116.7	355.3
Difference on exchange	449.1	43.5	492.6	(135.1)	1.6	(133.5)
At 31 December	4,478.7	377.7	4,856.4	4,018.7	154.7	4,173.4
Finance lease assets	10.8	-	10.8	10.7	-	10.7
At 31 December	4,489.5	377.7	4,867.2	4,029.4	154.7	4,184.1

All of the Group's properties are Level 3, as defined by IFRS 13 Fair Value Measurement, in the fair value hierarchy as at 31 December 2016 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 2016 and 2015, valued by professionally qualified external valuers. The Group's properties were valued by CBRE Limited ("CBRE") who have sufficient current and international knowledge of the particular property market involved, and have the skills and understanding to undertake the valuations competently. The valuations were prepared in accordance with the RICS Valuation Standards.

Market value is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. CBRE use a variety of valuation techniques (valuation metrics) which include yield methodology, IRR and market value analysis including comparable recent market transactions on arm's length terms. There have been no changes in the valuation techniques used by CBRE in 2016 and 2015 in comparison to previous years.

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

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

Asset Type	Valuation 31/12/15			Inputs 31/12/15			
	Completed £m	Land & Development £m	Combined Property Portfolio £m	Initial Yield range	Exit Yield range	IRR range	Rental Value Range £m
Data Centres	4,100.2	154.7	4,254.9	3.45 – 5.92%	7.25 – 7.75%	7.50 – 9.50%	£5-58
Group Total	4,100.2	154.7	4,254.9	3.45 – 5.92%	7.25 – 7.75%	7.50 – 9.50%	£5-58

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

12. Investment properties (continued)

Investment property values for each location are as follows:

Location	Country	Ownership	Value 2016 £m	Value 2015 £m
Amsterdam	The Netherlands	Leasehold (50 year term expiring 2045)	591.8	505.3
Frankfurt	Germany	Freehold	155.2	129.0
London North	United Kingdom	Freehold	333.1	342.4
London East	United Kingdom	Freehold	1,122.6	1,108.5
Madrid	Spain	Freehold	194.9	180.0
Paris East	France	Freehold	234.5	219.8
Paris West	France	Freehold	258.6	219.3
Singapore	Singapore	Leasehold (30 year term expiring 2023)	694.2	569.7
Sydney West	Australia	Freehold	804.4	678.8
Sydney East	Australia	Freehold	180.7	147.4
Total Completed			4,570.0	4,100.2

Location	Country	Ownership	Value 2016 £m	Value 2015 £m
Hong Kong	Hong Kong	Leasehold (35 year term expiring 2047)	228.0	79.3
Singapore	Singapore	Leasehold (30 year term expiring 2039)	33.8	18.1
Woodlands				
Sydney East	Australia	Freehold	74.9	27.7
Amsterdam	The Netherlands	Leasehold (50 year term expiring 2045)	20.4	15.8
Frankfurt	Germany	Freehold	12.1	5.8
North				
London South	United Kingdom	Freehold	8.5	8.0
Total Development			377.7	154.7
Investment properties at valuation			4,947.7	4,254.9

Finance lease liabilities of £9.8 million (2015: £9.4 million) are split between current £1.9 million (2015: £1.6 million) and non-current £7.9 million (2015: £7.8 million), with corresponding liabilities shown in obligations under finance leases in the table below. Valuation fees are based on a fixed amount agreed by the Group and the valuers and are independent of the property value.

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

	2016 £m	2015 £m
Investment properties	4,867.2	4,184.1
Accrued income included in trade and other receivables	90.3	80.2
Obligations under finance leases included in current borrowings	(1.9)	(1.6)
Obligations under finance leases included in non-current borrowings	(7.9)	(7.8)
Investment properties at valuation	4,947.7	4,254.9

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

12. Investment properties (continued)

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

	2016	2015
	£m	£m
Freehold	3,607.5	3,145.0
Leasehold	1,340.2	1,109.9
Investment properties at valuation	4,947.7	4,254.9

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

As at 31 December 2016 the Group had capital commitments in relation to expenditure on investment properties as follows:

	2016	2015
	£m	£m
Capital commitments	180.3	163.9

13. Property, plant and equipment

	Leasehold improvements	Fixtures and fittings	Business Development	Assets under construction	Total
	£m	£m	£m	£m	£m
Cost					
At 31 December 2014	2.7	1.6	-	5.4	9.7
Additions	1.9	0.1	0.8	-	2.8
Transfers	-	-	-	(3.8)	(3.8)
Difference on exchange	-	-	-	-	-
At 31 December 2015	4.6	1.7	0.8	1.6	8.7
Additions	0.4	-	0.5	0.6	1.5
Transfers	-	-	-	-	-
Difference on exchange	0.2	0.1	-	-	0.3
At 31 December 2016	5.2	1.8	1.3	2.2	10.5
Accumulated depreciation					
At 31 December 2014	2.4	1.5	-	-	3.9
Transfers	-	-	-	-	-
Charge for the year	-	-	-	-	-
Difference on exchange	0.6	-	0.1	-	0.7
At 31 December 2015	3.0	1.5	0.1	-	4.6
Transfers	-	-	-	-	-
Charge for the year	0.1	-	0.1	-	0.2
Difference on exchange	0.2	0.1	-	-	0.3
At 31 December 2016	3.3	1.6	0.2	-	5.1
Net book amount					
At 31 December 2016	1.9	0.2	1.1	2.2	5.4
At 31 December 2015	1.6	0.2	0.7	1.6	4.1

The Group did not have any material capital commitments in respect of property, plant and equipment at 31 December 2016 (2015: £nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

14. Trade and other receivables

	2016 £m	2015 £m
Current		
Trade receivables - gross	62.4	62.0
Provision for impairment of trade receivables	(4.9)	(2.9)
Trade receivables - net	57.5	59.1
Other receivables	2.2	3.0
Amounts due from related parties	-	0.6
Prepayments and accrued income	105.0	105.0
	164.7	167.7

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

At 31 December 2016 £37.2 million (2015: £47.1 million) of trade receivables were within normal payment terms and considered to be fully performing. A further £25.2 million (2015: £14.9 million) were past the due date of which £11.3 million (2015: £6.6 million) were overdue by 3 months or more. The ageing of trade debtors past their due date is as follows:

	30 Days £m	60 Days £m	90+ Days £m	Total £m
Trade debtors - past due date	10.7	3.2	11.3	25.2

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

	2016 £m	2015 £m
Provision for impairment at beginning of year	2.9	0.9
Increase in provisions	2.4	2.0
Release of provisions	(0.4)	-
Provision for impairment at end of year	4.9	2.9

15. Cash and cash equivalents

	2016 £m	2015 £m
Cash at bank and in hand	162.0	99.9
Customer deposits	3.6	3.6
Restricted cash	0.4	0.4
	166.0	103.9

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.

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For the year ended 31 December 2016

16. Trade and other payables

	2016	2015
	£m	£m
Trade payables	21.0	3.6
Social security and other taxation	7.5	8.6
Accruals	46.3	40.2
Deferred income	42.9	51.0
Other payables	5.5	6.4
Amounts due to related parties	23.1	-
	146.3	109.8

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

17. Borrowings

	2016	2015
	£m	£m
Current		
Obligations arising from shareholder loans	180.9	-
Obligations under finance leases	1.9	1.6
Current borrowings	182.8	1.6
Non-current		
Bank loans	-	157.5
Obligations under finance leases	7.9	7.8
Guaranteed notes	919.0	828.6
Non-current borrowings	926.9	993.9
Total borrowings	1,109.7	995.5

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 2016 the fair value of the:

- 5.5% guaranteed note €600 million was £512.4 million (2015: £442.3 million) maturing 2018.
- 4.375% guaranteed note £350 million was £374.8 million (2015: £347.5 million) maturing 2022.
- 6.25% guaranteed note A\$100 million was £58.8 million (2015: A\$80 million was £38.8 million) maturing 2020.

The obligations arise from shareholder loans and bank loans of £180.9 million (2015: 157.5 million) drawn as a short term working capital facility from Aldersgate Investment Limited following the voluntary cancellation of the £375 million revolving credit facility on 29 December 2016. Capitalised and unamortised loan arrangement fees of £nil million (2015: £1.9 million) are offset against the principal debt outstanding. A new credit facility has been agreed on enhanced terms with a syndicate of five banks subsequent to year end and the shareholder loans repaid. The new facility matures in April 2021, with the option of two further one year extensions. 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 23.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

17. Borrowings (continued)

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

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

	Bank loans	Shareholder loans	Obligations under finance leases	Guaranteed notes	2016 Total
	£m	£m	£m	£m	£m
2015					
Sterling	157.5	-	-	347.5	505.0
Singapore dollars	-	-	4.4	-	4.4
Australian dollars	-	-	-	38.8	38.8
Hong Kong dollars	-	-	-	-	-
Euro	-	-	5.0	442.3	447.2
	157.5	-	9.4	828.6	995.5

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

	2016 £m	2015 £m
Less than one year	1.9	1.6
Between one and five years	7.8	6.6
More than five years	2.8	4.1
	12.5	12.3
Future finance charges	(2.7)	(2.9)
	9.8	9.4
Less than one year	1.9	1.6
Between one and five years	6.3	5.2
More than five years	1.6	2.6
Present value of finance lease payables	9.8	9.4

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The amounts shown in the table below under variable interest rate instruments and shown as repaid within one year, represents amounts drawn under the former £375 million multicurrency revolving credit facility. The table includes both interest and principal cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

17. Borrowings (continued)

	Weighted average effective interest rate %	Within one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
2016						
Trade and other payables		146.3	-	-	-	146.3
Bank loans and borrowings-						
Fixed interest rate instruments	5.50%	28.2	540.1	-	-	568.3
Bank loans and borrowings-						
Fixed interest rate instruments	4.38%	15.3	15.3	45.9	365.3	441.8
Bank loans and borrowings-						
Fixed interest rate instruments	6.25%	3.6	3.6	65.7	-	72.9
		193.4	559.1	111.6	365.3	1,229.3

	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
2015						
Trade and other payables		109.8	-	-	-	109.8
Bank loans and borrowings-						
Variable interest - rate instruments	1.61%	159.9	-	-	-	159.9
Bank loans and borrowings-						
Fixed interest rate instruments	5.50%	24.3	24.3	465.8	-	514.4
Bank loans and borrowings-						
Fixed interest rate instruments	4.38%	15.3	15.3	45.9	380.6	457.1
Bank loans and borrowings-						
Fixed interest rate instruments	6.25%	2.5	2.5	46.6	-	51.6
		311.8	42.1	558.3	380.6	1,292.8

18. Deferred Tax

The movement on the deferred tax account is as follows:

	2016 £m	2015 £m
At 1 January	(806.8)	(771.6)
Recognised in profit and loss		
Deferred tax expense	(14.9)	(65.2)
Recognised in other comprehensive income		
Foreign exchange (losses)/gains	(108.1)	30.0
At 31 December	(929.8)	(806.8)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

18. Deferred Tax (continued)

Analysis of Group deferred tax assets and liabilities:

	Losses	Capital Allowances	Investment Properties	Rent Spreading (GAAP adj.)	Total
At 1 January 2016	38.8	(139.7)	(698.8)	(7.1)	(806.8)
Movement recognised in income statement	(3.7)	(10.7)	(0.1)	(0.4)	(14.9)
Movement recognised in other comprehensive income	4.6	(18.0)	(93.4)	(1.3)	(108.1)
At 31 December 2016	39.7	(168.4)	(792.3)	(8.8)	(929.8)

19. Share Capital

	2016		2015	
	Number	£m	Number	£m
Authorised ordinary shares of US \$1 each				
At 1 January and 31 December	50,000	-	50,000	-
Issued, allotted and fully paid ordinary shares of US \$1 each				
At 1 January	100	-	2	-
At 31 December	100	-	100	-

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

Each share of the Company confers upon the Shareholder:

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

Aldersgate Investments Limited and Elegant Jubilee Ltd are party to a shareholders' agreement through which they exercise joint control of the Company. The shareholders' agreement and related transaction documentation contain, inter alia, put and call options the exercise of which would lead to a change in Aldersgate Investment Limited's and Elegant Jubilee Limited's respective ownership interests in the Company.

20. Operating Leases

Operating leases where the Group acts as lessee

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

	2016 £m	2015 £m
Less than one year	0.2	0.2
Between two and five years	0.9	1.1
After more than five years	-	0.1
	1.1	1.4

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

20. Operating Leases (continued)*Operating leases where the Group acts as lessor*

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

	2016 £m	2015 £m
Less than one year	293.3	267.0
Between two and five years	708.3	734.8
After more than five years	210.9	245.1
	1,212.5	1,246.9

21. Analysis of movements in net debt

	At 31 December 2015 £m	Cash flow £m	Other non-cash changes £m	Exchange movement £m	At 31 December 2016 £m
Cash and cash equivalents	(103.9)	(55.3)	-	(6.8)	(166.0)
Bank borrowings due after one year	159.5	(159.5)	-	-	-
5.5% guaranteed notes due 2018	442.3	-	140.5	(70.4)	512.4
4.375% guaranteed notes due 2022	347.5	-	0.3	-	347.8
6.25% guaranteed notes due 2020	38.8	-	27.2	(7.2)	58.8
Capitalised bank loan fees	(2.0)	-	2.0	-	-
Shareholder Loans	-	180.9	-	-	180.9
Finance leases	9.3	-	(0.9)	1.5	9.9
	891.5	(33.9)	169.1	(82.9)	943.8

22. Related party transactions

Details of the Company's subsidiaries are shown in note 23. Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Year end balances

	2016 £m	2015 £m
Amount due to related parties – current (note 16)	(23.1)	-
Amount due from related parties – current (note 14)	-	0.6

Aldersgate Investments Limited, the Group's immediate parent, acts as counterparty to the Group's forward foreign exchange contracts. As at 31 December 2016 the Group owes £16.7 million in relation to these treasury transactions (31 December 2015: is due £23.3 million). Additionally, included in trade and other payables are net amounts due for administrative and other services provided at normal commercial rates to and from Aldersgate Investment Limited and certain of its subsidiaries of £6.4 million (31 December 2015: £22.7 million).

At 31 December 2015 Reuben Brothers Limited, a wholly owned subsidiary of the ultimate parent entity, held A\$20 million guaranteed notes in trust for the Group. These guaranteed notes were sold in December 2016.

Included within Other revenue is £1.9 million (31 December 2015: £2.2 million) of other income received from subsidiaries of Aldersgate Investments Limited in relation to single tenant data centres owned by those entities.

22. Related party transactions (continued)**Foreign exchange forward contracts**

During 2016, the Company entered into foreign exchange contracts with its parent Company, Aldersgate Investments Limited, in order to mitigate the foreign exchange risk arising from fluctuations in the Euro, Singapore Dollar and Australian Dollar for the financial year ended 31 December 2016.

23. Subsidiary undertakings

The companies shown below were subsidiary undertakings as at 31 December 2016. The Group owns 100% of the ordinary share capital of all of the companies below, except for those companies noted in footnotes 4, 5 and 6 below. The percentage of the issued share capital held by the Group is equivalent to the proportion of voting rights held. All of the companies listed below operate in their respective country of registration/incorporation.

	Country of registration / incorporation	Nature of business
Global Switch Limited ^(1,2,3)	England and Wales	Ownership and operation of real estate
Brookset 18 Limited ⁽¹⁾	British Virgin Islands	Financing Company
Brookset 20 Limited ^(1,2,3)	British Virgin Islands	Holding Company
Global Switch Group Limited ^(3,5)	British Virgin Islands	Holding Company
Global Switch Estates 1 Limited ^(2,3)	England and Wales	Ownership and operation of real estate
Global Switch Estates 2 Limited ^(2,3)	England and Wales	Ownership and operation of real estate
Global Switch (London) Limited	England and Wales	Ownership and operation of real estate
Global Switch (London No. 2) Limited	England and Wales	Ownership and operation of real estate
Global Switch Facilities Management Limited	England and Wales	Dormant
Global Switch Services B.V.	Netherlands	Non-operating Company
Global Switch Amsterdam Property B.V. ^(2,3)	Netherlands	Operating Company
Global Switch Amsterdam B.V. ^(2,3)	Netherlands	Ownership and operation of real estate
Global Switch Rotterdam Property B.V.	Netherlands	Non-operating Company
Global Switch PropertyHolding B.V. ^(2,3)	Netherlands	Holding Company
ICT Centre Holding B.V. ^(2,3)	Netherlands	Holding Company
ICT Centre France B.V. ^(2,3)	Netherlands	Holding Company
Global Switch Cooperatief UA ^(2,3)	Netherlands	Holding Company
GS (NA) Holdings NV	Curacao	Holding Company
GS (NA) Company NV	Curacao	Holding Company
Global Switch Property (Germany) GmbH	Germany	Holding Company
Global Switch Verwaltungs GmbH ⁽⁴⁾	Germany	Ownership and operation of real estate
Global Switch FM GmbH	Germany	Ownership and operation of real estate
CarrierHaus GmbH	Germany	Ownership and operation of real estate
Global Switch Germany (Haftungsbeschränkt)	Germany	Holding Company

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For the year ended 31 December 2016

23. Subsidiary undertakings (continued)

	Country of registration / incorporation	Nature of business
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 Limited ⁽³⁾	Hong Kong	Ownership and operation of real estate

⁽¹⁾ Owned by Global Switch Holdings Limited.

⁽²⁾ Guarantor under €600 million guaranteed notes, £350 million guaranteed notes and the A\$100 million guaranteed notes.

⁽³⁾ Guarantor under the new £425 million multicurrency revolving credit facility, entered into on 17 February 2017.

⁽⁴⁾ 94% of ordinary share capital held by Global Switch Holdings Limited.

⁽⁵⁾ Global Switch Group Limited is controlled but not owned by Global Switch Holdings Limited and is consolidated by Global Switch Holdings Limited.

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

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For the year ended 31 December 2016

24. Hedging reserve

At 31 December 2016, the Group had entered into a portfolio of foreign exchange forward contracts:

Forward Currency	Nominal amount million	Maturity date
EUR	97.0	31/03/2017
EUR	106.0	31/03/2018
EUR	117.0	31/03/2019
AUD	99.0	31/03/2017
AUD	105.0	31/03/2018
AUD	114.0	31/03/2019
SGD	72.0	31/03/2017
SGD	75.0	31/03/2018
SGD	78.0	31/03/2019
HKD	139.0	31/03/2018
HKD	187.0	31/03/2019

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

	2016 £m	2015 £m
Balance at 1 January	(14.0)	(11.0)
(Loss)/gain on net investment hedge	(71.3)	(3.0)
Balance at 31 December	(85.3)	(14.0)

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

	2016 £m	2015 £m
Designated as net investment hedge	24.7	23.0
Designated as fair value to the income statement	15.3	-
	40.0	23.0

A fair value movement of £17.5 million have been recorded in the income statement (2015: £4.8 million).

25. Events after the reporting period

On 17 February 2017, Global Switch renewed and upsized the multi-currency revolving credit facility to £425 million, up from the previous £375 million. The facility is provided by Barclays, Credit Suisse, Deutsche Bank, HSBC and Bank of China who are the lenders and mandated lead arrangers. The new facility has a margin of 95 bps and with improved financial terms. The new credit facility matures on the 30 April 2021 with two optional extensions.

Global Switch also entered into co-operation framework agreement with China Telecom Global and Daily-Tech on the 25 April 2017. This agreement establishes Global Switch as preferred supplier to China Telecom Global and Daily-Tech, allowing the parties to enter into further arrangements involving data centre facilities, including collaboration in developing new markets, adding to Global Switch's international footprint and capacity and the joint marketing and provision of data centre, network and systems integration services.

Country of incorporation

British Virgin Islands

Company registration number

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