# ANNUAL REPORT
## & FINANCIAL STATEMENTS

For the year ended 31 December 2021

GLOBAL SWITCH

GLOBAL SWITCH HOLDINGS LIMITED
COMPANY REGISTRATION NUMBER 1468649

# KEY HIGHLIGHTS

| | | | |
|---|---|---|---|
| £419.6m<br>Revenue | £251.4m<br>EBITDA | £6.2bn<br>CBRE property valuation | 14.99 years<br>Weighted Average Customer Lifespan* |
| 2.2%<br>Weighted Average Cost of Bond Debt | 463MVA<br>Utility power supply to the data centres | 8.4%<br>Increase in utility power supply capacity | 428,376<br>Square metres of gross space |

*Calculated on the average lifespan from initial contract commencement through to current contract maturity (excluding service agreements for less than 100 square metres of space) as at 31 December 2021.

*Inside front cover image: Global Switch London Campus.*

# GLOBAL SWITCH HOLDINGS LIMITED
## ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

## Contents


| | |
|---|---|
| Chief Executive's Statement | 1 |
| Statement of Directors' Responsibilities | 9 |
| Independent Auditor's Report to the Members of Global Switch Holdings Limited | 10 |
| Consolidated Income Statement | 20 |
| Consolidated Statement of Comprehensive Income | 21 |
| Consolidated Statement of Financial Position | 22 |
| Consolidated Statement of Changes of Equity | 23 |
| Consolidated Cash Flow Statement | 24 |
| Notes to the Consolidated Financial Statements | 25 |
| Reconciliations of Alternative Performance Measures | 66 |

# CHIEF EXECUTIVE'S STATEMENT

## Overview

Like the year 2020, 2021 was another year dominated by the COVID-19 pandemic, with the virus continuing to impact every aspect of our professional and personal lives, in each of our markets across the world.

Against this backdrop I am incredibly proud of our people, who have demonstrated huge resilience and since the start of the pandemic have helped Global Switch to deliver its strongest performances in terms of new customer take-up in the group's history.

Global Switch continued to benefit from robust market dynamics from the ongoing adoption of enterprise grade cloud computing and the trend towards outsourcing, to the rise of applications and video content streaming, as well as increased legislation around the storage of data.

This translated into strong demand for new lettings from hyperscale customers and Asian customers expanding in Asia-Pacific and Europe. We also enjoyed a very significant year for flagship contract renewals from some of the world's biggest international companies including some of our longest standing customers, paying testament to the super-prime nature of our data centres. These contracts spanned a wide range of sectors, underpinning the diversity of our customer base.

Today Global Switch is a highly differentiated digital infrastructure business with 13 large scale global data centres spanning 428,000 square metres of gross floor space with 463 Mega Volt Amp (MVA) of utility power supply capacity and located in super-prime positions in leading telecommunications and financial hubs in some of the world's most connectivity rich markets. This impossible-to-replicate portfolio has been grown entirely organically and developed into a truly scaled global business without the need for raising additional equity finance. As such, it continues to represent a unique platform for growth in the important regions of Europe and Asia-Pacific.

Recent data from 451 Research S&P Global Market Intelligence shows that between 2021 and 2027 Europe is forecast to grow at a compound annual growth rate (CAGR) in MW of net leasable power of 8.5% and Asia-Pacific is projected to experience long-term growth with a CAGR of 11.5%, creating exciting new opportunities to accelerate our progress over the coming year compared to 6.1% for the United States.

## Performance highlights and progress against our strategy

### Strong new customer take-up performance

As customers accelerated their requirements during the COVID-19 pandemic, we benefitted by signing over 60MW of new business and almost 40MW of renewals since the start of 2020. This includes a very strong start to 2022 where we have already signed 4MW of new business capacity in the first quarter.

As a result of this strong demand, we have now successfully contracted 12MW of capacity in Frankfurt North and more than 21 MW of capacity in Singapore Woodlands resulting in both data centres now being effectively fully taken up by customers.

Partially offsetting this strong demand we have evidenced some concerns regarding our ownership from certain Western customers and prospects, together with some limited customer capacity consolidation. In overall terms occupancy has moderately increased compared to the prior year.

### *Power densification*

We have continued to make strong progress implementing our strategy to upgrade our existing data centres to achieve higher power densities and improve energy efficiency, thereby enabling us to tailor power more effectively to customers' needs and making us more attractive to hyperscale customers.

We have now delivered power densification projects at a number of our campuses:

- In Paris East, we increased power density of three existing suites across three levels from 800 W/sqm to 2,777 W/sqm to enable us to offer 5MW of high power density space to a hyperscale customer. The next stage will comprise a further 5MW, again over three suites across three levels.
- Meanwhile in Madrid, we increased the power density of the suites from 1,000 W/sqm to 2,500 W/sqm to enable us to deliver 4MW of high power density space to the same hyperscale customer as in Paris East. A further 2MW of high density power will form part of the next stage.
- In London North, we are increasing power density from 450 W/sqm to 2,200 W/sqm. The first of four phases across the campus has now been completed, creating 2.6MW of sellable IT power with a Power Usage Effectiveness (PUE) of under 1.3. This has been achieved by installing flooded room cooling using fan walls, the first of our data centres to use this technology. The next phase will see additional high power density space being offered with a further 3.5MW of sellable IT power.

***Development activity***

In Amsterdam we completed the shell and core construction of Stage 1 of our second data centre in this location, Amsterdam East, with fit-out due to commence this year. Once completed, Stage 1 will deliver 3,000 square metres of net technical area and 6MW of sellable IT power. With direct interconnections to our existing Amsterdam West facility, the new data centre will immediately offer direct access to AMS-IX, as well as to other internet exchanges and over 75 Tier 1 and Tier 2 carriers. We have a developing pipeline of customers who have expressed interest in this high quality, well connected and sustainable data centre which incorporates many innovative technical solutions to maximise energy efficiency and reduce carbon emissions with a target annualised design PUE of less than 1.2.

Meanwhile in London we have submitted a planning application for a third data centre, London South, on our existing data centre campus, which is situated on the edge of the financial district in the heart of London Docklands, one of the most network dense locations in the world. The new data centre will span 25,000 square metres of gross floor area with 40MVA of utility power supply which and can be tailored to individual customers' needs.

As part of our future planning, we have exercised our right of first refusal and acquired the land adjacent to our existing Frankfurt South data centre. This has the potential for a facility with 20,000 square metres of gross floor area with 34MVA of utility power supply. We will be progressing with planning applications during 2022. We have also executed a conditional share purchase agreement to acquire the corporate lessee of a site adjacent to our existing Singapore Tai Seng facility, for which we are presently seeking head lessor consent.

These four sites in Amsterdam, London, Frankfurt and Singapore, together with a further potential site in Paris, provide upside revenue potential over the medium term for the Company to spread our fixed operational costs across a number of sites on the one campus, delivering superior returns on investment.

This robust development pipeline provides us with the potential of 118MW of additional sellable IT power. Additionally, a further 40MW of growth in IT power is able to be delivered from our successful, power densification and redevelopment strategy across a number of our existing data centres.

### *World-class connectivity*

Our connectivity strategy is formulated and driven by existing and future customer requirements. A critical part of our proposition is growing the service offerings available to our customers via carriers, cloud on and off ramp providers, content delivery network (CDN) providers, internet exchanges, and subsea cable terminations or Points-of-Presence (PoP).

The popularity of CDN services continues to grow and today the majority of web traffic is served through CDNs. By increasing our service offerings in this area, we can in turn attract digital media customers, cloud providers and platforms, further carriers and internet exchanges, as well as large enterprise customers leading to an increase in both physical deployment and cross connect revenues. Additionally, growing the number of internet exchanges within our data centres typically results in an increase in the number of ISPs as well as digital media customers who need to distribute large amounts of data rapidly. Furthermore, as we continue to host the primary POPs of various subsea cable systems, we can attract new customers who wish to utilise the connectivity that these cable systems provide.

We are continually improving and strengthening our connectivity infrastructure within our data centres and campuses. This strategy helps drive incremental revenue growth through additional space and power contracts with our customers as well as helping to drive long-term value creation by making our data centres more attractive from a connectivity perspective.

The super-prime locations of our data centres provide low latency connectivity to attract providers of autonomous technologies as well as services supporting the Internet of Things (IoT). Our goal is to provide an environment that allows our customers to scale their businesses seamlessly, as well as to test and expand future technologies such as Artificial Intelligence and 5G based technologies.

### *COVID-19*

The health and safety of everyone connected with Global Switch remained a critical priority throughout the year, with our response to COVID-19 protocols around the world being led by a dedicated taskforce at the Company. While the pandemic increased the complexity of our operating and working environments, we had clear procedures and processes to ensure a safe working environment aligned to the guidelines of national governments and World Health Organisation advice.

The data centre market has continued to experience the key macro demand drivers that were accentuated at the start of the pandemic, including the on-going adoption of enterprise grade cloud computing, the trend towards outsourcing and the rise of in the use of applications, video content streaming and increased legislation around the storage of data. With the quality of our customer base and its diversification across a wide range of sectors and geographies, we have enjoyed two of the best years in the Company's history with regard to customer take-up.

Nevertheless, COVID-19 had a detrimental impact on a small group of our customers, including those in travel and associated industries. In most cases, these impacts have proven to be temporary and the critical nature of the services we provide has ensured negligible impact on the Company's revenues and cash flows. However, one of our customers in London, SunGard Availability Services UK (SunGard), suffered substantial losses in its disaster recovery business and entered administration in March 2022, resulting in £7.4 million of impairment charges being recognised within our 2021 results. SunGard's US parent company has since announced that it is entering Chapter 11 proceedings in the US for similar COVID-19 related reasons. Global Switch has actively engaged with the Administrator and with affected SunGard customers to ensure continuity of service. Reflecting the mission critical nature of the services we provide to our customers, we are pleased to say that a majority of SunGard's affected customers have entered into direct relationships with Global Switch on terms no less advantageous to Global Switch than the terms it had with SunGard.

I want to thank all of our employees and partners for all their incredible hard work throughout the pandemic for the way in which they helped support our customers and to ensure that our data centres remained fully operational during these testing times.

### *Investing in our people*

To position Global Switch for the next phase of growth, we have continued to invest in and strengthen our senior team. During the year we appointed a new Investment Director to source and lead new development and acquisition opportunities and a new Information Director to improve the information management systems to underpin business operations and growth. We have also appointed a new HR Director to lead our People agenda and to enhance our organisational competencies.

### *Growing ESG profile*

We continue to make good progress with our sustainability strategy, which we have aimed to embed into every aspect of our business including design, delivery and operational practices.

We have established an internal ESG committee chaired by our Chief Design Officer and we are working closely with external ESG specialist consultants on the framework for standards and we expect to produce an inaugural ESG report during 2022.

Energy efficiency has always been at the heart of our business strategy. Our ambition is to achieve carbon neutrality for Scope 2 emissions across our portfolio by 2030 through the purchase of 100% renewable energy. Meanwhile in our new developments we are targeting at least BREEAM "Very Good" certification with PUEs of under 1.2 in Europe and at least "LEED Gold" certification and PUEs of under 1.4 in Asia-Pacific.

In October 2021, we issued a report which provided an update on the full allocation of the use of net proceeds from our inaugural €700 million 10-year green bond. As disclosed at issuance, the green bond's net proceeds were to be allocated to eligible projects that will help fund our expansion plans by developing new green data

centres and improving energy efficiency at our existing facilities. As of 30 September 2021, the net proceeds of €693 million from the green bond issuance have been fully allocated over several projects, including Hong Kong, Singapore Woodlands, Frankfurt North, Amsterdam East and our redevelopment at London North. Over the last three years we have invested over €865 million in green projects. Full details of the Allocation Report can be found at www.globalswitch.com/data-centres/sustainability.

In our existing data centre portfolio, we are making progress with our life cycle replacement programme and energy efficiency improvement initiatives across a number of our facilities. This will see the replacement of the existing computer room air handling and conditioning units utilising more efficient fans and enabling variable speed operation, followed by the gradual raising of chilled water temperature in these units to lower energy consumption. We completed one such project in London North during the year which enabled us to operate with free-cooling hours for around half the year, thereby reducing the overall PUE of the facility.

## Recent Events

Robust market demand for high-quality assets in the sector has led to significant inbound investor interest in Global Switch. Global Switch's shareholders have informed the Company that in light of this interest, they have agreed to mandate several leading global investment banks as joint financial advisors on a potential divestment transaction. The joint financial advisors will now shortly commence a formal process to seek offers from major international investors, thereby creating liquidity for the shareholders' stakes and facilitating an acceleration of the Company's growth strategy. Global Switch's leadership team will be actively engaged in the transaction process. There is no certainty that any transaction will proceed. Any further announcements will be made in due course, as and when appropriate. In the meantime, the Company will continue to execute its business plan and further implement its successful growth strategy, with no changes to the strategic direction, leadership or financial and operational policies.

In April 2022 notice of our intention to terminate the 15MW Hong Kong service agreement was issued to Daily-Tech Hong Kong Co. Limited (Daily-Tech) as a result of its persistent and continued failures to make payments pursuant to the contract, either to Global Switch or to its guarantor which has been making payments on its behalf. At the same time Global Switch has executed a Framework Agreement with the guarantor, Jiangsu Shagang Materials Trading Co., Limited (Shagang Materials), a subsidiary of Jiangsu Shagang Group Co., Ltd, under which and subject to certain pre-conditions (including the expiry of notice and ultimate termination of the Daily-Tech contract), the Company and Shagang Materials (or its nominated third party) will enter into a new 15MW service agreement which would take effect from 1 January 2022. Global Switch will also grant Shagang Materials an option over additional capacity in the Hong Kong data centre. Terminating the 15MW Daily-Tech contract and replacing it with a new agreement puts Global Switch in a stronger position to provide greater levels of support to underlying customers in our Hong Kong data centre and to provide contractual and cash flow certainty into the future.

## Continued Financial Strength

### *Revenue*

Global Switch's reported revenue for 2021 of £419.6 million increased by 2.2% (2020: £410.5 million) despite the weakening of the majority of currencies in which the Group earns its global revenues against the Pound Sterling during 2021. On a constant currency basis[1], revenue has increased by 4.6%[2]. The increase has been driven by significant new take-up in our new data centres, particularly in the Asia-Pacific region and by greater demand for other services (such as customer fit-outs) across the business.

### *Profit before tax*

Profit before tax was impacted by impairments to Daily-Tech trade and other receivables where, as at 31 December 2021, there was significant uncertainty as to their recoverability. This has resulted in significant non-cash accounting impairments of accumulated accrued income and receivables balances related to the 15MW Daily-Tech services agreement as at 31 December 2021 which is discussed in detail in notes 13 and 28. Profits were also impacted by the additional impairment on trade and other receivables due to the administration of SunGard. The Daily-Tech and SunGard impairments are exceptional items and are thus excluded from EBITDA as defined by the Group.

Notwithstanding these impairments profit before tax for 2021 was 10.0% higher at £318.6 million (2020: £289.6 million), driven primarily by a higher gain on revaluation of investment properties.

[1] Where items in the CEO Statement are referred to as being at constant currency, the relevant 2021 financial performance and financial position of foreign operations are translated at 2020 average and 2020 year-end spot foreign exchange rates respectively.
[2] In April 2020, the Group terminated contracts with Daily-Tech in its Frankfurt North and Singapore Woodlands data centres.

## *EBITDA*

The Group's definition of EBITDA is profit before interest, tax, depreciation, amortisation, exceptional items, gains on disposal of property, plant & equipment, and revaluation of investment property. This EBITDA measure is considered to reflect the operating performance of the business by eliminating the distortions caused by significant non-cash and/or exceptional elements of operating profit. It is therefore also considered to be useful to the users of the consolidated financial statements in understanding the financial performance of the Group.

EBITDA for 2021 of £251.4 million has increased by 5.8% (8.2% on a constant currency basis) (2020: £237.7 million). The most significant factors contributing to the increase were the same drivers already mentioned for revenue growth with the majority having a direct impact on EBITDA as well.

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, in aggregate, the Group continues to recover all power costs from its customers, this accounting treatment has the effect of reducing reported EBITDA margins to 59.9% (2020: 57.9%). If power were accounted for on a net basis, the EBITDA margin would have been 74.1% for the year ended 31 December 2021, an increase from 69.3% in 2020.

| | **Year ended 31 December 2021** | | **Year ended 31 December 2020** | **Increase / (Decrease)** | |
|---|---|---|---|---|---|
| | | **£m or %** | **£m or %** | | **%** |
| | Reported | Constant currency | Reported | Reported | Constant currency |
| Revenue | 419.6 | 429.3 | 410.5 | 2.2% | 4.6 % |
| Profit before tax | 318.6 | 324.7 | 289.6 | 10.0% | 12.1% |
| EBITDA * | 251.4 | 257.3 | 237.7 | 5.8% | 8.2% |
| *EBITDA margin* | *59.9%* | *59.9%* | *57.9%* | | |
| *EBITDA margin excluding power revenue* | *74.1%* | *74.1%* | *69.3%* | | |
| Investment property valuation | 6,206.4 | 6,378.7 | 6,126.1 | 1.3% | 4.1% |

* The Group's definition of EBITDA is profit before interest, tax, depreciation, amortisation, exceptional items, gains on disposal of property, plant & equipment, and revaluation of investment property.

For a reconciliation of reported performance measures to those above, please refer to page 66.

### *Exceptional items*

Exceptional items have increased to £54.1 million (2020: £2.5 million) primarily due to the Daily-Tech trade and other receivables impairment of £46.5 million and a £7.4 million impairment to SunGard's outstanding trade and other receivables as a result of the on-going COVID-19 pandemic.

### *Investment Property*

Global Switch's data centres and associated land interests have been independently valued at £6,206.4 million as at 31 December 2021 (2020: £6,126.1 million) by CBRE Limited. This represents an increase of £80.3 million or 1.3% relative to the prior year valuation driven by revaluation gains and capital expenditure, partially offset by unfavourable foreign exchange movements. On a constant currency basis, the investment property valuation was 4.1% higher than as at 31 December 2020.

As at 31 December 2021, gross assets were £6,771.0 million (2020: £6,708.4 million) and net assets were £3,725.9 million (2020: £3,601.4 million). Under International Financial Reporting Standards, it is typically required to recognise a deferred tax liability in respect of changes in investment property values as the rebuttable presumption is that investment properties carried at fair value will be recovered through sale as individual assets, irrespective of the likelihood of the sale occurring. Accordingly, Global Switch's consolidated statement of financial position includes deferred tax liabilities associated with the investment properties of £877.6 million (2020: £811.7 million). Excluding the deferred tax liabilities, the Group's adjusted net assets as at 31 December 2021 would be £4,603.5 million (2020: £4,413.1million).

### *Net debt and liquidity*

Following the issue of its inaugural €700 million green bond in October 2020 at a coupon of 1.375%, Global Switch's has not incurred or retired any other borrowings during 2021 and consequently the Company's average cost of bond debt remains at 2.2% (2020: 2.2%). Global Switch's weighted average bond debt maturity is 4.8 years as at 31 December 2021 (2020: 5.9 years).

Global Switch's low leverage, predominantly long-dated debt maturities and proven access to the debt capital markets reflects the strength of the Group's balance sheet and the significant operating cash flows generated by the business. Global Switch's balance sheet and capital structure remains strong with £411.2 million of cash and cash equivalents, a net debt to EBITDA ratio of 5.5:1, interest cover of 5.0 times and a loan to value ratio of 22% respectively, all as at 31 December 2021 (2020: £423.8 million, 6.1:1, 5.2 and 24% respectively).

Global Switch continues to maintain an open and transparent dialogue with the credit rating agencies, having already briefed the agencies on the financial performance for 2021, including the impact of the Daily-Tech and SunGard exceptional impairments outlined in this report. The Company remains one of the highest credit rated data centre companies in the world with strong investment grade credit ratings of BBB from Fitch Ratings and S&P Global Ratings, and Baa2 from Moody's.

At 31 December 2021, the Company's revolving credit facility was undrawn (2020: undrawn). This facility was due to mature on 30 April 2022 but has been extended for one month with certain lenders to enable liquidity to remain in place ahead of a new facility being concluded. To ensure that continuing liquidity on an on-going basis and whilst recognising the current significant free cash reserves of over £400 million held by the Company, Global Switch is at an advanced stage in closing a new £350 million facility with a consortium of lenders and which is expected to be concluded by the end of May 2022.

The Company's £350 million bond matures in December 2022. The anticipation is that this will be refinanced, but the Group nevertheless has sufficient liquidity in cash reserves and the new revolving credit facility if required, as well as flexibility in relation to its capital expenditure.

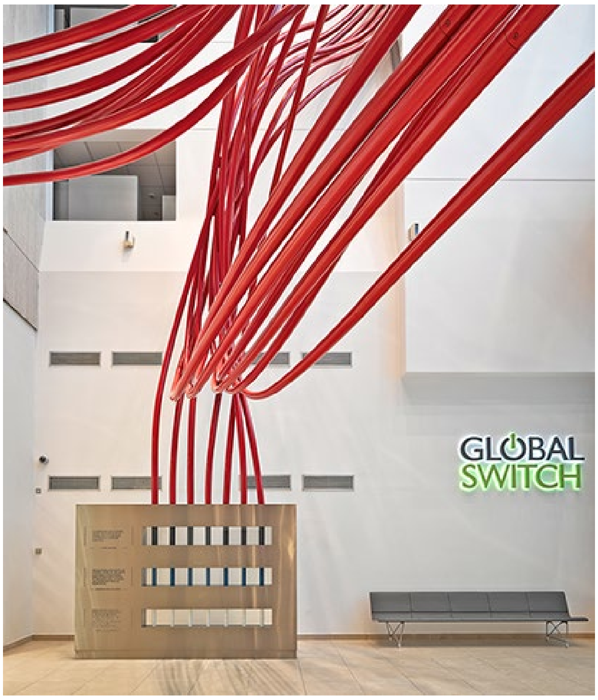
Despite the near-term challenges that COVID-19 had the potential to present, Global Switch has demonstrated the resilience of its business model, which benefits from low leverage, strong cash flows and a strategic business plan which delivers the right space at the right time for our customers.

### *Capital expenditure*

During the year, Global Switch invested £121.3 million (2020: £317.6 million) in capital expenditure. Over the last three years the Group has invested £725.4 million in expanding the business by delivering new data centres and redeveloping existing data centres. We review the impact our developments will have on the environment and working with our international consultant teams we ensure sustainability is a key part of the design. Fundamental to our strategy is operating our data centres to ensure that we continue to reduce our carbon footprint across our global portfolio. Whilst the Group continues to identify new opportunities, including those outlined earlier in this statement, the primary focus in 2021 has been on the ongoing power densification and replenishment of the existing portfolio aligned with our sustainability commitments as well as continuing to improve the Group's return on capital.

### *Dividends*

No dividends were declared or paid for the year ended 31 December 2021 (2020: £67.4 million declared and paid).




## Outlook

In 2021 we demonstrated the strength of the platform we have built at Global Switch, delivering one of the strongest new take-up and renewals performances in our history, based on operational excellence and continued organic growth.

Global Switch's success is made possible by the everyday commitment, enthusiasm and expertise of our employees, so I would like to extend my gratitude once again to our global team for their dedication, excellence and hard work in the face of all the challenges throughout 2021.

As we look ahead to 2022, I see significant opportunities to extend our customer relationships, to continue our successful power densification programme and to accelerate new development activity to meet a new wave of customer demand. As noted above, I am particularly pleased that we have identified two new, high quality development opportunities, in Frankfurt and Singapore adjacent to our existing data centres, which have the potential to generate superior returns as part of a robust development pipeline.

Underpinning all of our operations, remains our strong, investment grade balance sheet and our impossible-to-replicate portfolio of super-prime data centres situated in Tier 1 markets across Europe and Asia-Pacific. All of our assets benefit from either freehold or long leasehold interests and have been organically grown and developed with no new external equity.

The Company enjoys an enviable customer list, serving some of the world's largest cloud and technology providers, international financial institutions and a wide range of other global businesses and government bodies. The strength and scale of the Company's real estate portfolio and the customer base, together with leading data centre design and operational competencies results in a powerful financial model offering highly visible, recurring revenue.

We pride ourselves on leading data centre design as well as operational competencies, and sustainability remains of primary importance to our people and our customers. We will be looking to make even more ambitious strides forward in our strategy during 2022.

With market conditions buoyant, driven by robust demand from customers in the US, Europe and Asia, I believe that Global Switch has a unique and exciting growth platform, which is perfectly positioned to capture and deliver the next wave of growth.

On the back of significant demand momentum, during 2020 and 2021 and strong inbound investor interest, the Company looks forward to working with its shareholders and their financial advisors to create liquidity for their stakes and accelerate the Company's strategy through access to additional growth capital.

**John Corcoran**
Chief Executive Officer
12 May 2022

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

**The Directors are required to prepare financial statements for each financial year, including to comply with the terms of the Trust Deed pursuant to the Group's Euro Medium Term Note Programme, and have elected to prepare consolidated financial statements in accordance with IFRS issued by the International Accounting Standards Board ("IASB").**

In preparing these consolidated financial statements, International Accounting Standard ("IAS") 1 requires that Directors:

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

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

We confirm that to the best of our knowledge:

- the consolidated financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the Chief Executive's statement includes a fair review of the development and performance of the business and the position of the Group.

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

## Report on the audit of the consolidated financial statements

### 1. Opinion

In our opinion the consolidated financial statements of Global Switch Holdings Limited and its subsidiaries (the 'Group'):

- give a true and fair view of the state of the Group's affairs as at 31 December 2021 and of the Group's profit for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 32.

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

### 2. Basis for opinion

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

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

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

## 3. Summary of our audit approach

| | |
|---|---|
| **Key audit matters** | The key audit matters that we identified in the current year were:<br>- Valuation of Investment Properties<br>Within this report, key audit matters are identified as follows:<br>Newly identified<br>Increased level of risk<br>Similar level of risk<br>Decreased level of risk |
| **Materiality** | The materiality that we used for the audit of the consolidated financial statements was £30.1 million (2020: £29.6 million) which was determined using Total Equity and equates to 0.8% of Total Equity. |
| **Scoping** | The scope of our audit included the Group's components in the United Kingdom, Netherlands, Spain, Germany, France, Hong Kong, Singapore and Australia.<br>All of these components, with the exception of Germany, Spain and France were deemed to be significant components and were subject to a full scope audit. For Germany, Spain and France, the Group engagement team performed analytical procedures using component materiality and performed substantive testing on certain balances.<br>In addition, the valuation of investment properties was audited at a Group level with the involvement of our real estate specialists. |
| **Significant changes in our approach** | There are no significant changes in our approach compared to the prior year. |

## 4. Conclusions relating to going concern

In auditing the consolidated financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Evaluation of the Group forecast which was prepared to 31 December 2023;
- Assessment of arithmetic accuracy of the Group forecast;
- Assessment of the impact of Covid-19 on the Group's operations considering the nature of their operations and the credit-worthiness of their customer base;
- Assessment of the risk that the Group's undrawn revolving credit facility ('RCF') which is due to expire in May 2022 may not be extended;
- Assessment of the risk that the Group's £350 million bond is not refinanced on or before its maturity date in December 2022;

- Consideration of the Group’s ability to defer uncommitted capital expenditure in the event no refinancing of the RCF facility or £350 million bond occurs;
- Assessment of the Group’s cash position; and
- Evaluation of the covenant forecasts including the headroom available on all active covenants.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the consolidated financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## 5. Key audit matters

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

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

### 5.1 Valuation of Investment Properties

**Key audit matter description**

The carrying value of the Group’s investment properties portfolio is £6,147.9 million (2020: £6,028.3 million) and consists of data centre properties – both 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 the consolidated financial statements and the potential fraud risk associated with the exercise of judgement required in making estimates.

The Group uses professionally qualified external valuers to fair value the Group's investment properties portfolio. The valuation is highly sensitive to the assumptions used within the valuation process, as set out in note 18.

Specifically, we have focussed on the following three areas:

- Key assumptions adopted in the valuation, including the discount rates, exit yields, rental income assumptions and capital expenditure forecasts;
- The completeness and accuracy of the tenancy schedules provided to the Group’s external valuers; and
- The impact on the valuation of the Hong Kong data centre and the recoverability considerations of amounts due under the Daily-Tech Hong Kong 15MW contract guaranteed by Jiangsu Shagang Materials Trading Co. Ltd (the “guarantor”). See note 28 on page 60.

See note 18 on page 49, note 28 on page 60 and discussion within note 6 critical accounting estimates on page 34.

| | |
|---|---|
| **How the scope of our audit responded to the key audit matter** | We obtained an understanding of the Group’s relevant controls in respect of the valuation of investment properties.<br><br>We held discussions with the external valuers and assessed their objectivity, competence, and capability. With input from our real estate valuation specialists, we evaluated the valuation methodology applied.<br><br>We tested the accuracy of the customer information and other key inputs used by the Group’s external valuers in performing their valuation by agreeing a sample to underlying service agreements and other relevant third-party evidence.<br><br>We tested reciprocal data to assess the completeness of the customer data within the base information schedules, including new and modified contracts signed during the year.<br><br>We assessed the recoverability of amounts due under the Hong Kong 15MW contract, including consideration of the treatment of these cash flows within the investment property valuation and the carrying value of the associated accrued income. Our evaluation included consideration of the uncertainty surrounding collection under the related guarantee at the balance sheet date.<br><br>We assessed the forecast capital expenditure assumptions included in the investment properties valuation model, by agreeing to third party evidence where available or the Group’s detailed financial costs projections.<br><br>We worked with our real-estate valuation specialists to challenge the judgement exercised over the key assumptions used and assess these assumptions for evidence of bias. We utilised expertise in market dynamics and evaluated the key judgemental assumptions, with reference to comparable market benchmarks.<br><br>We researched comparable transactions of recent data centre sale transactions to inform our audit challenge.<br><br>We assessed the capital expenditure forecasts which include capital expenditure on various projects which contribute towards sustainability objectives of the Group.<br><br>We performed an assessment of the reliability and accuracy of the software used by the external valuer to check the accuracy of the valuation model.<br><br>We performed a “stand back” assessment of the overall appropriateness of the key components of the valuation. |
| **Key observations** | We concluded that the key assumptions adopted in the valuation are within a reasonable range.<br><br>We concluded that the data used in the year end investment properties valuation is complete.<br><br>We are satisfied with the treatment of the cash flows in the investment property valuation and the carrying value of the associated accrued income on the Daily-Tech Hong Kong 15MW contract. |

## 6. Our application of materiality

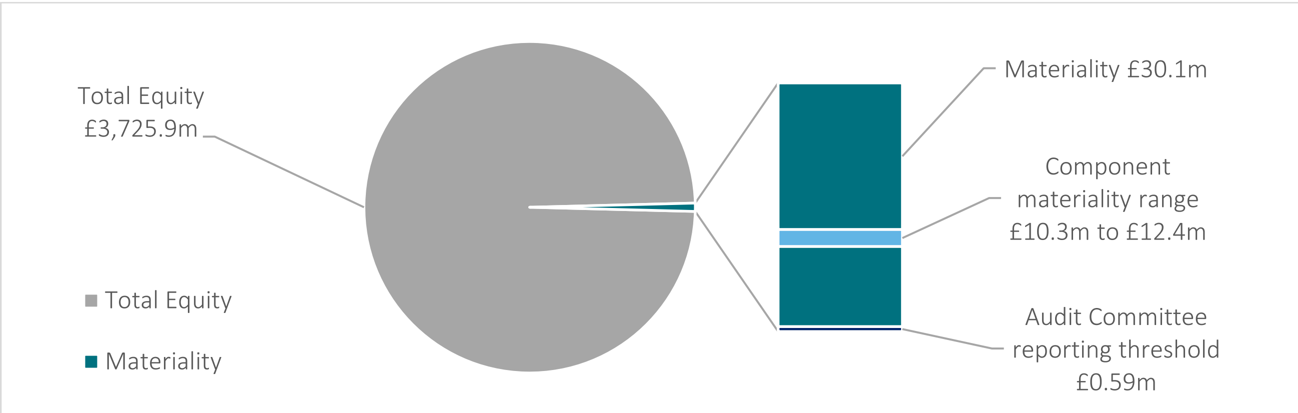
### 6.1 Materiality

We define materiality as the magnitude of misstatement in the consolidated 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.

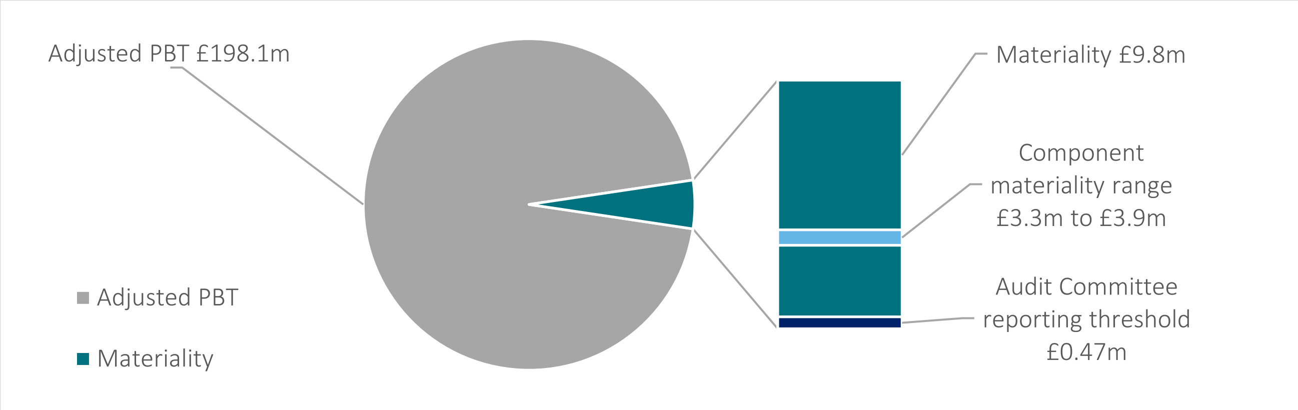
Based on our professional judgement, we determined materiality for the consolidated financial statements as a whole as follows:

| | Group financial statements |
|---|---|
| **Materiality** | £30.1 million (2020: £29.6 million) |
| **Basis for determining materiality** | Materiality has been determined to be 0.8% (2020: 0.8%) of Total Equity. |
| **Rationale for the benchmark applied** | We determined materiality with reference to total equity, which is the key measure of shareholder value and is mainly derived from the Investment Properties Valuations. |

We applied a lower threshold of £9.8 million (2020: £9.7 million), which was determined on the basis of 5.0% (2020: 5%) of profit before tax ("PBT") excluding the revaluation of investment properties, foreign exchange gains and losses and exceptional items ("adjusted profit before tax", "adjusted PBT"). This threshold was applied to testing all balances excluding the carrying value and revaluation of investment properties including the associated deferred tax and foreign exchange gains and losses.



***Lower Threshold***




## 6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the consolidated financial statements as a whole.

| | **Group financial statements** |
|---|---|
| **Performance Materiality** | 70% (2020: 70%) of Group materiality |
| **Basis and rationale for determining performance materiality** | In determining performance materiality, we considered the following factors:<br>**a.** the quality of the control environment<br>**b.** the Group's history of misstatements; and<br>**c.** the presence of accounting issues that require significant judgement/estimation. |

## 6.3 Error reporting threshold

For the Investment Properties Valuation including the associated deferred tax and foreign exchange gains and losses, we agreed with the Audit Committee that we would report to the Committee all audit errors in excess of £588,000 (2020: £592,000).

For all other balances, we agreed with the Audit Committee that we would report to the Committee all audit errors in excess of £470,000 (2020: £485,000).

As well as errors in excess of the above thresholds, we also reported to the Audit Committee on matters, which 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 consolidated financial statements.

## 7. An overview of the scope of our audit

### 7.1 Identification and scoping of components

Components were identified on the basis of their relative significance to the Group, including assessment of both qualitative and quantitative risk factors. Significant components include the Netherlands, United Kingdom, Hong Kong, Singapore and Australia which were subject to full scope audit. Germany, Spain and France were in scope for substantive testing on certain balances and analytical procedures at Group level. This is consistent with the prior year.

The Group audit team has performed the audit work on the parent entity, the UK component as well as on the valuation of the consolidated investment properties balance, supported by the audit of inputs by component auditors. At the Group level we tested the consolidation process and carried out concluding analytical procedures on the aggregated financial information.

Component audit teams performed the audit work in respect of the Netherlands, Singapore, Hong Kong and Australia components. For Germany, France and Spain, the Group engagement team performed analytical procedures using component materiality and substantive testing on certain balances.

The range of materialities used by components is outlined in section 6.1 above. By performing full scope audits over significant components, we have covered 81% (2020: 81%) of revenue, 89% (2020: 89%) of profit before tax (excluding investment properties gain/ loss, which has been subject to full scope audit) and 94% (2020: 88%) of net assets.Our consideration of climate-related risks

As a part of our risk assessment procedures, we held discussions with the management and reviewed internal and external sources of information to understand the potential impact of climate on the Group and its environment and the Group's response thereon.

We have considered the following with respect to management's assessment of climate related risks:

- The Group's exposure to physical, transitional and market risks;
- Climate-related initiatives or related future commitments by the Group;
- Changes in industry trends and practices that could impact the operational strategy of the Group; and
- The Group's strategy on planned investments to support its sustainability objectives;

The Group's sustainability strategy is considered in the capital expenditure forecast that are amongst the estimates relevant to the valuation of the investment properties. Our response to this is set out in section 5 *"Key audit matters"* of this report. We have not identified any further risks in addition to those assessed by the Group.

### 7.2 Working with other auditors

Due to the ongoing Covid-19 pandemic, we have been unable to visit component auditors during the course of the 2021 audit. We directed and supervised our component auditors by taking the following actions:

- We held internal fraud and planning calls with component teams and specialists. The purpose of these communications was to deliberate and identify risks, including response to those risks.
- We assessed the independence and objectivity of the component teams.
- We updated our knowledge of business and developments across the different components.
- We held an all parties call with all component teams and Global Switch where we discussed the Group's business, its core strategy, the significant risks and the planned audit approach.
- We circulated clear instructions to component teams, to set out the planned audit approach for the Group. This included follow up confirmation of receipt and follow up planning calls to discuss content.
- Throughout the substantive phase of our audit, we held frequent calls with component teams, to provide continued direction and supervision.
- We attended the close meetings of all components via conference calls and reviewed component work papers remotely using screen share technologies.
- During the conclusion phase, we reviewed component team reporting deliverables, held discussions regarding key items and assessed the impact of their reporting on our conclusions.

## 8. Other information

The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the consolidated financial statements themselves. 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.

## 9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

## 10. Auditor's responsibilities for the audit of the financial statements

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

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

## 11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

### 11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;

- results of our enquiries of management, internal audit, operations, legal and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax and valuations specialists, regarding how and where fraud might occur in the consolidated financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of investment properties. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the consolidated financial statements. The key laws and regulations we considered in this context included the listing rules of the Irish Stock Exchange and relevant tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the consolidated financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

## 11.2 Audit response to risks identified

As a result of performing the above, we identified the valuation of investment properties as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the consolidated financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the consolidated financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with tax authorities; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## 12. Use of our report

This report is made solely to the company’s members, as a body, in accordance with our engagement letter dated 7 February 2022 and solely for the preparation of the non-statutory consolidated financial statements for the purposes of complying with the requirements of the Irish Stock Exchange. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

**Darren Longley FCA**
For and on behalf of Deloitte LLP
London, United Kingdom
12 May 2022

# CONSOLIDATED INCOME STATEMENT

**For the year ended 31 December 2021**

| | Note | 2021 £m | 2020 £m |
|---|---|---|---|
| **Revenue** | 10 | **419.6** | **410.5** |
| Cost of sales | | (162.6) | (147.7) |
| Administrative expenses | | (9.3) | (16.5) |
| **Operating profit before other gains and losses** | | **247.7** | **246.3** |
| Revaluation gains on investment properties, net | 18 | 162.5 | 106.3 |
| Exceptional impairment losses on trade and other receivables, net | 13 | (53.9) | - |
| Other impairment gains (losses) on trade and other receivables, net | | 1.9 | (11.2) |
| Impairment losses on trade and other receivables, net | 9 | (52.0) | (11.2) |
| Other exceptional items | 13 | (0.2) | (2.5) |
| **Operating profit** | | **358.0** | **338.9** |
| Gain on disposal of property, plant and equipment | 19 | 0.4 | - |
| Finance income | | 0.7 | 1.0 |
| Finance costs | | (52.6) | (48.3) |
| Foreign exchange gain (loss) | | 12.1 | (2.0) |
| Net finance costs | 14 | (39.8) | (49.3) |
| **Profit before tax** | 11 | **318.6** | **289.6** |
| Income tax | 15 | (130.4) | (84.5) |
| **Profit for the year** | | **188.2** | **205.1** |
| Earnings per share – basic | 16 | **0.02** | **0.02** |

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

The notes on pages 25 to 65 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**For the year ended 31 December 2021**

| | 2021<br>£m | 2020<br>£m |
|---|---|---|
| **Profit for the year** | **188.2** | **205.1** |
| | | |
| **Other comprehensive (expense) income** | | |
| *Items that are or may be reclassified subsequently to profit or loss:* | | |
| Foreign exchange differences on translation of foreign operations | (63.7) | 34.7 |
| **Other comprehensive (expense) income for the year** | **(63.7)** | **34.7** |
| | | |
| **Total comprehensive income for the year** | **124.5** | **239.8** |

The notes on pages 25 to 65 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## As at 31 December 2021

| | Note | 2021<br>£m | 2020<br>£m |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 18 | 6,147.9 | 6,028.3 |
| Intangible assets | | 0.2 | 0.7 |
| Property, plant and equipment | 19 | 9.1 | 13.9 |
| Other receivables | 20 | 6.3 | 2.0 |
| | | **6,163.5** | **6,044.9** |
| **Current assets** | | | |
| Inventories | | 2.7 | 2.6 |
| Trade and other receivables | 20 | 183.6 | 228.0 |
| Current tax asset | | 10.0 | 9.1 |
| Cash and cash equivalents | 21 | 411.2 | 423.8 |
| | | **607.5** | **663.5** |
| **Current liabilities** | | | |
| Borrowings | 23 | (351.2) | (2.0) |
| Trade and other payables | 22 | (148.4) | (197.2) |
| Current tax liability | | (13.1) | (13.3) |
| | | **(512.7)** | **(212.5)** |
| **Net current assets** | | **94.8** | **451.0** |
| **Total assets less current liabilities** | | **6,258.3** | **6,495.9** |
| **Non-current liabilities** | | | |
| Borrowings | 23 | (1,444.7) | (1,883.5) |
| Deferred tax liabilities | 15 | (1,087.7) | (1,011.0) |
| | | **(2,532.4)** | **(2,894.5)** |
| **Net assets** | | **3,725.9** | **3,601.4** |
| **Capital and reserves** | | | |
| Share capital | 24 | -* | -* |
| Retained earnings | | 3,225.1 | 3,036.9 |
| Translation reserve | | (132.7) | (69.0) |
| Hedging reserve | 30 | (91.8) | (91.8) |
| Other reserves | | 725.3 | 725.3 |
| **Total equity** | | **3,725.9** | **3,601.4** |

** Less than £0.1 million*

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 12 May 2022.
The notes on pages 25 to 65 form an integral part of these consolidated financial statements.

John Corcoran
Director
12 May 2022

# CONSOLIDATED STATEMENT OF CHANGES OF EQUITY

## For the year 31 December 2021

| | Share capital £m | Retained earnings £m | Translation reserve £m | Hedging reserve £m | Other reserves £m | Total £m |
|---|---|---|---|---|---|---|
| **At 1 January 2020** | **-** | **2,899.2** | **(103.7)** | **(91.8)** | **725.3** | **3,429.0** |
| Profit for the year | - | 205.1 | - | - | - | 205.1 |
| Other comprehensive income | - | - | 34.7 | - | - | 34.7 |
| Total comprehensive income | - | 205.1 | 34.7 | - | - | 239.8 |
| Dividends paid (note 17) | - | (67.4) | - | - | - | (67.4) |
| **At 31 December 2020** | **-** | **3,036.9** | **(69.0)** | **(91.8)** | **725.3** | **3,601.4** |
| | | | | | | |
| **At 1 January 2021** | **-** | **3,036.9** | **(69.0)** | **(91.8)** | **725.3** | **3,601.4** |
| Profit for the year | - | 188.2 | - | - | - | 188.2 |
| Other comprehensive income | - | - | (63.7) | - | - | (63.7) |
| Total comprehensive income | - | 188.2 | (63.7) | - | - | 124.5 |
| **At 31 December 2021** | **-** | **3,225.1** | **(132.7)** | **(91.8)** | **725.3** | **3,725.9** |
| Notes | 24 | | (i) | (ii) | (iii) | |

**Notes:**

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

ii. The hedging reserve represents the cumulative amount of gains and losses on net investment hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income and can be observed in the consolidated statements of changes in equity and accumulated in the hedging reserve. See also note 30.

iii. Other reserves represent the net of capital contributions from the parent company and the merger reserve which arose from the application of merger accounting as a result of a series of transactions which primarily took place in the year 2010 to reorganise entities under the common control of the former ultimate controlling party. See note 1 to the consolidated financial statements for further information on ownership and control.

The additional notes on pages 25 to 65 form an integral part of these consolidated financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

## For the year ended 31 December 2021

| | Note | 2021<br>£m | 2020<br>£m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | 318.6 | 289.6 |
| *Adjustments for:* | | | |
| Finance income | 14 | (0.7) | (1.0) |
| Finance costs | 14 | 52.6 | 48.3 |
| Foreign exchange (gains) losses | 14 | (12.1) | 2.0 |
| Depreciation | 11 | 1.7 | 2.4 |
| Amortisation of intangibles | 11 | 0.1 | 0.2 |
| Gain on disposal of property, plant and equipment | 19 | (0.4) | - |
| Revaluation gain on investment properties, net | 18 | (162.5) | (106.3) |
| *Changes in:* | | | |
| -Inventories | | (0.1) | (0.7) |
| -Trade and other receivables | | 45.3 | 17.0 |
| -Trade and other payables | | (1.5) | 30.4 |
| **Cash generated from operating activities** | | **241.0** | **281.9** |
| Interest received | | 0.2 | 0.1 |
| Proceeds from forward foreign exchange contracts | | - | 18.5 |
| Income taxes paid | | (18.1) | (18.9) |
| **Net cash from operating activities** | | **223.1** | **281.6** |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (0.8) | (1.8) |
| Construction of and improvements to investment properties | | (166.8) | (343.5) |
| **Net cash used in investing activities** | | **(167.6)** | **(345.3)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Revolving credit facility fees | | (0.9) | (0.8) |
| Drawdown of bank loans | | - | 130.5 |
| Repayment of bank loans | | - | (259.6) |
| Issuance of Euro denominated guaranteed notes | 23 | - | 638.0 |
| Payment of issue costs in relation to Euro denominated guaranteed notes | 23 | (0.7) | (7.2) |
| Repayment of Australian dollar denominated guaranteed notes | 23 | - | (7.3) |
| Dividends paid | 17 | - | (67.4) |
| Interest paid | | (46.9) | (39.0) |
| **Net cash (used in) from financing activities** | | **(48.5)** | **387.2** |
| | | | |
| **Net increase in cash and cash equivalents** | | **7.0** | **323.5** |
| Cash and cash equivalents at beginning of the year | | 423.8 | 96.3 |
| Effect of movements in exchange rates on cash held | | (19.6) | 4.0 |
| **Cash and cash equivalents at end of the year** | 21 | **411.2** | **423.8** |

The notes on pages 25 to 65 form an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group").

The Group is an owner, operator and developer of large scale network dense, carrier and cloud neutral multi-customer data centres in Europe and Asia-Pacific. Our data centres provide rich ecosystems and offer reliability, security and flexibility that our customers require to house their IT infrastructure.

As at 31 December 2021 (and as at 31 December 2020), Elegant Jubilee Limited, Strategic IDC Limited and Tough Expert Limited directly owned 51%, 24.99% and 24.01% of the Company respectively.

Elegant Jubilee Limited and Strategic IDC Limited are each ultimately owned by consortia of corporate and institutional investors. Tough Expert Limited is an indirect, wholly owned investment vehicle of Jiangsu Shagang Group Co., Limited ("Shagang Group").

Shagang Group acquired indirect stakes in the Company through its participation in the Elegant Jubilee Limited and Strategic IDC Limited consortia of institutional and private investors, which invested in the Company in December 2016 and July 2018. The subsequent investment by Shagang Group, through Tough Expert Limited together with other share purchases during the course of 2020, resulted in an aggregate indirect equity stake in the Company of 51.7%. Following the investment through Tough Expert Limited, Shagang Group is considered by the Directors to control the Group. As of the date of these financial statements Mr. Shen Wenrong is regarded as the controller of Shagang Group under the relevant PRC rules and regulations and is therefore regarded as the ultimate controlling party.

## 2. Basis of accounting

The Directors are required to prepare financial statements for each financial year, including to comply with the terms of the Trust Deed pursuant to the Group's Euro Medium Term Note Programme.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

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 profit and loss.

### 2.1 Accounting period

The accounting reference period is the year to 31 December.

### 2.2 Presentation currency

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

### 2.3 Going concern

Based on the Group's cash flow forecasts, cash balance of £411.2 million (31 December 2020: £423.8 million), undrawn credit facilities and headroom in respect of the covenants under the Group's revolving credit facility and guaranteed notes programmes, the Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and at least for the next twelve months following the date of issuance of these consolidated financial statements.

In making the above conclusion, the Group has stress tested the financial forecast, which considered among other factors the risk of new revolving credit facilities not being executed (see below), the risk that the 4.375%

£350 million guaranteed notes will not be refinanced as anticipated on or before their maturity in December 2022, the impact of COVID-19 on the business, and the Group's ability to defer uncommitted capital expenditure. The assessment indicates that the Group has sufficient working capital to cover any risk related to the above. The Group's current revolving credit facility, which was due to mature on 30 April 2022, has been extended with a £175 million commitment until 31 May 2022. At 31 December 2021 and as at the date of the authorisation of the consolidated financial statements, the revolving credit facility is undrawn. The Group is also at an advanced stage in closing a new £350 million facility with a consortium of lenders, which is expected to be concluded by the end of May 2022.

Specifically for COVID-19, based on experience throughout 2020 and 2021, the Group has remained resilient to the impact and this is therefore not currently considered a material matter in making the going concern assessment. The nature of the Group's operations and their importance to the customers' businesses, together with the nature and credit-worthiness of the customer base have resulted in a significantly reduced impact for Global Switch compared to many other businesses or industries. Service agreements, from which the vast majority of the Group's revenue is derived, had a weighted average unexpired contract duration of 4.2 years at 31 December 2021, protecting the Group's income from the volatility experienced by businesses in certain other sectors. The majority of the Group's revenue is derived from companies with investment grade parent or controlling entities or government departments and agencies that benefit from a sovereign risk profile.

Thus the Directors continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

## 3. Adoption of new and revised IFRSs

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

### 3.1 New and amended accounting standards effective during the year

The following amended standards and interpretations were effective during the year; however, they have not had a significant impact on the consolidated financial statements.

| | |
|---|---|
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | *Interest Rate Benchmark Reform Phase 2* |
| Amendment to IFRS 16 | *COVID-19-Related Rent Concessions beyond 30 June 2021* |

## 4. Significant accounting policies

### 4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

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

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

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

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.

## 4.2 Foreign currency transactions and translation

### *Transactions and balances*

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign exchange gains and losses are recognised in the consolidated income statement, except when recognised in equity as qualifying cash flow hedges or qualifying net investment hedges.

### *Group companies*

Assets and liabilities of overseas subsidiaries are translated into Pound Sterling at the closing rates of exchange at the balance sheet date. The income and expenses of overseas subsidiaries are translated at the Pound Sterling exchange rates at the dates of the transactions. Differences resulting from the retranslation of opening net assets and results for the period at closing rates are recognised in the consolidated statement of comprehensive income and accumulated in the translation reserve.

## 4.3 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 Group's consolidated income statement.

All costs directly associated with the purchase, construction and improvement of investment properties are capitalised, including attributable internal labour costs and sales commissions.

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

### *Depreciation*

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

### *Leasehold properties*

Leasehold properties are classified as investment property and included in the consolidated statement of financial position at fair value.

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

## 4.4 Property, plant and equipment

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

| | |
|---|---|
| Right-of-use asset (office space) | 12 years |
| Other | 3 years |

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

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

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

## 4.6 Lessee accounting (for lessor accounting, see 4.9 Revenue)

Where the Group is a lessee, it recognises a right-of-use asset and a lease liability at the commencement of the leases, except for short-term leases and leases of low value assets.

The majority of the Group's right-of-use assets meet the definition of investment property in IAS 40 Investment Property and are subject to the fair value model under that standard. See note 4.3.

### *Short-term leases and leases of low-value assets*

The Group elects not to apply the general requirements of IFRS 16 to short-term leases and leases of low value assets. The Group recognises the lease payments associated with those leases as an expense on either the straight-line basis over the lease term or another systematic basis if that basis is representative of the pattern of the Group's benefits.

### *Right-of-use assets*

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under the fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

A right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets that meet the definition of investment property are classified as investment property. The Group presents right-of-use assets that do not meet the definition of investment property as "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

### *Lease liabilities*

Lease liabilities are initially measured at the present value of the future lease payments discounted using the discount rate implicit in the lease (or if that rate cannot be readily determined, the incremental borrowing rate). Subsequent to initial recognition, lease liabilities are adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; or
- the lease payments change due to changes in market rental rates following a market rent review, in which case the related lease liability is remeasured by discounting the revised lease payments.

The Group presents lease liabilities within borrowings.

***Lease modifications***

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

## 4.7 Segmental information

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

The following summarises the reportable segments.

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

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

## 4.8 Cash and cash equivalents

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

## 4.9 Revenue

***Rental income from investment properties***

Rental income, which is within the scope of IFRS 16 *Leases*, is outside the scope of IFRS 15 *Revenue from contracts with customers*. Rental income from investment properties is recognised in the consolidated income statement on a straight-line basis over the lease term including any fixed indexation. Incentives are amortised over the lease term.

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

***Provision of power***

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

***Provision of additional services***

Additional services include power administration, fit-out, the provision of sub ducts, cross connect installation and management, managed services reporting, cleaning, dilapidations services, access management and client management services. Revenue from additional services is recognised when the service is provided, reflecting the consideration for those services and the requirements of IFRS 15, including those set out below.

***Allocation of consideration to components of a contract***

When a contract includes both leases and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

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

The Group does not typically have material performance obligations under IFRS 15 *Revenue from Contracts with Customers* that are unsatisfied at a given point in time.

***Lease modifications***

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

## 4.10 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.

## 4.11 Exceptional items

Certain items of income or expenditure are classified as exceptional in order to aid the users of the consolidated financial statements in understanding the financial performance of the Group. In classifying items as exceptional, the Group considers the significance of their nature and/or quantum.

'Exceptional items' is an alternative performance measure, which does not have a standardised meaning under IFRS. Therefore, the term may not be comparable to similar measures presented by other entities.

## 4.12 Taxation

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

Current tax payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Current tax assets and liabilities are offset only if certain criteria are met.

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

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

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

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

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

### 4.13 Provisions

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

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

### 4.14 Finance income and finance costs

The Group's finance income and finance costs include interest income, interest payable, bank loan facility fees, hedging finance costs, amortisation of issue costs, foreign currency gains or losses as described in note 4.2 and other finance income and other finance costs.

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

### 4.15 Financial instruments, other than derivative financial instruments and hedge accounting

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

For its lessor activities, the Group regards individual payments currently due and payable by lessees as trade receivables. However, consistent with IFRS 9 *Financial Instruments*, the Group does not regard related accrued income as a financial instrument.

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

#### 4.15.1 Classification and measurement

***Financial assets***

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

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

***Financial liabilities***

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

### 4.15.2 Impairment

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

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECLs, other than when there has been a significant increase in credit risk since initial recognition, whereby the Group recognises lifetime ECLs. The assessment of whether lifetime ECLs should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Although accrued income is not a financial instrument under IFRS, the Group applies the impairment guidance of IFRS 9 Financial instruments in the absence of similar guidance in IFRS 16 Leases.

### 4.15.3 Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Group derecognises a financial liability when, and only when, the Group's obligations are discharged, cancelled or expire.

## 4.16 Derivative financial instruments

The Group has historically entered into foreign exchange forward contracts to manage its exposure to foreign exchange risk.

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

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

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

## 4.17 Hedges of net investments in foreign operations

The Group designates its derivative financial 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 consolidated 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 net finance costs.

## 4.18 Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenue and expenses relating to its interest in a joint operation in accordance with the IFRS Standards applicable to the particular assets, liabilities, revenue and expenses.

## 5. Standards issued but not yet effective

At the date of this report, the Group has not early adopted the following new IFRS nor new amendments to IFRSs, none of which was effective at 31 December 2021.

| | |
|---|---|
| Conceptual Framework | *Amendments to References to the Conceptual Framework in IFRS Standards*[1] |
| Amendments to IAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use*[1] |
| Amendments to IAS 37 | *Onerous Contracts — Cost of Fulfilling a Contract*[1] |
| Amendments to IFRS standards | *Annual Improvements to IFRS standards 2018-2020*[1] |
| Amendments to IFRS 3 | *Business Combinations*[1] |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-Current*[2] |
| Amendments to IFRS 4 | *Insurance Contracts*[2] |
| IFRS 17 | *Insurance Contracts*[2] |
| Amendments to IAS 1 and IFRS Practice Statement | *Disclosure of Accounting Policies*[2] |
| Amendments to IAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2] |
| Amendments to IAS 8 | *Definition of Accounting Estimates*[2] |
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |

1. Effective for annual periods beginning on or after 1 January 2022
2. Effective for annual periods beginning on or after 1 January 2023
3. Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of the new IFRS and new amendments to IFRSs will have no material impact on the Group's financial performance and financial position and/or on the disclosure in the Group's future consolidated financial statements.

## 6. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's significant accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### *Assumptions and estimation uncertainties*

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

- Deferred tax assets and liabilities – see note 15
- Measurement of the fair value of investment properties – see note 18

### *Judgements*

The following are the critical judgements, apart from those involving estimations (which are referred to separately above), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Exceptional items – see note 13

## 7. Operating segments

The Group's reportable segments are described in note 4.7. Information related to each reportable segment is set out below.

**The Group's definition of EBITDA is: profit before interest (note 14), tax (note 15), depreciation (note 19), amortisation, exceptional items (note 13) and, gain on disposal of property, plant and equipment, revaluation of investment property (note 18).** This definition of EBITDA is considered to be a relevant performance measure by the chief operating decision maker because he considers that it reflects the operating performance of the business by eliminating the distortions caused by significant non-cash and/or exceptional elements of operating profit. It is therefore also considered to be useful to the users of the consolidated financial statements in understanding the financial performance of the Group. The Group's EBITDA metric is reconciled to the IFRS profit before tax below by presenting the adjustments made between the IFRS profit measure and the adjusted performance measure.

Items below EBITDA are not allocated to reportable segments, as the central Group finance and commercial teams manage this activity. Inter-segment transactions are charged at prevailing market rates.

### *Segment revenue and profit*

| Year ended 31 December 2021 | Europe £m | Asia-Pacific £m | Corporate and other £m | Total £m |
|---|---|---|---|---|
| Revenue | 222.3 | 199.6 | (2.3) | 419.6 |
| EBITDA* | 132.4 | 133.7 | (14.7) | 251.4 |
| Depreciation and amortisation | | | | (1.8) |
| Exceptional items | | | | (54.1) |
| Revaluation of investment property | | | | 162.5 |
| Operating profit | | | | 358.0 |
| Gain on disposal of property, plant and equipment | | | | 0.4 |
| Net finance costs | | | | (39.8) |
| Profit before tax | | | | 318.6 |

| Year ended 31 December 2020 | Europe £m | Asia-Pacific £m | Corporate and other £m | Total £m |
|---|---|---|---|---|
| Revenue | 224.0 | 188.2 | (1.7) | 410.5 |
| EBITDA* | 134.8 | 121.1 | (18.2) | 237.7 |
| Depreciation and amortisation | | | | (2.6) |
| Exceptional items | | | | (2.5) |
| Revaluation of investment property | | | | 106.3 |
| Operating profit | | | | 338.9 |
| Net finance costs | | | | (49.3) |
| Profit before tax | | | | 289.6 |

*As defined above

*Segment non-current assets and capital expenditure*

| 31 December 2021 | Europe £m | Asia-Pacific £m | Corporate and other £m | Total £m |
|---|---|---|---|---|
| Non-current assets | 3,108.1 | 3,041.0 | 14.4 | 6,163.5 |
| Capital expenditure | 103.7 | 17.6 | - | 121.3 |

| 31 December 2020 | Europe £m | Asia-Pacific £m | Corporate and other £m | Total £m |
|---|---|---|---|---|
| Non-current assets | 3,104.7 | 2,924.9 | 15.3 | 6,044.9 |
| Capital expenditure | 57.1 | 260.5 | - | 317.6 |

## 8. Financial instruments

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

*Financial assets measured at amortised cost*

| | Note | Carrying amounts | |
|---|---|---|---|
| | | 2021 £m | 2020 £m |
| Trade receivables | 20 | 77.1 | 92.2 |
| Other receivables | 20 | 20.9 | 12.2 |
| Cash and cash equivalents | 21 | 411.2 | 423.8 |
| | | **509.2** | **528.2** |

*Financial liabilities measured at amortised cost*

| | Note | Carrying amounts | |
|---|---|---|---|
| | | 2021 £m | 2020 £m |
| Trade payables | 22 | 18.1 | 40.8 |
| Other payables | 22 | 8.0 | 11.4 |
| Accruals | 22 | 63.7 | 78.8 |
| Borrowings, excluding lease obligations | 23 | 1,767.5 | 1,857.2 |
| | | **1,857.3** | **1,988.2** |

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 fair values of financial assets at amortised cost and financial liabilities, including trade and other payables and bank loans, are estimated to be equivalent to their carrying values. IFRS 7 *Financial Instruments: Disclosures* requires the classification of fair value measurements using the fair value hierarchy that reflects the significance of the inputs used in making the assessments. Further information on the Group's financial instruments can be found within the note numbers specified above.

## 9. 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.

### *COVID-19*

The outbreak of the Novel Coronavirus ("COVID-19"), formally declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets, with broad movement and other restrictions being implemented by many countries.

The Group's response to the Global Pandemic has been managed and monitored through a Task Force comprising all critical decision makers and operational leads. The Task Force has implemented a series of important measures as part of the Group's overall Business Continuity Plan, to both maximise the safety of all those in the data centres and to ensure the Group continues to operate as previously.

Data centres remain as essential during the Global Pandemic as previously, if not more so. The nature of the Group's operations and the nature and credit-worthiness of its customer base have resulted in a significantly reduced impact for Global Switch compared to many other businesses or industries. Service agreements, from which the vast majority of the Group's revenue is derived, have a weighted average unexpired contract duration of 4.2 years as at 31 December 2021, protecting the Group's income from the volatility experienced by businesses in certain other sectors. The majority of the Group's revenue is derived from companies with investment grade parent or controlling entities or government departments and agencies that benefit from a sovereign risk profile.

### *Brexit*

Following the end of a post-Brexit transition period, throughout the year ended 31 December 2021, the United Kingdom ("UK") has no longer been a member of the European Union ("EU") customs union or single market.

Whilst operations in London are significant to the Group, the majority of the Group's trade and assets are across the world, with a substantial proportion outside the wider EU.

The Group's financial risk management, remains "business as usual" – for example:

Debt markets have remained open to the Group and effective, as demonstrated by the new borrowing in the prior year (see note 23).

The Group's trade between the UK and the EU is limited. The majority of sales and purchase contracts exist within territories, rather than across them.

The Group's largest customers remain international businesses, which therefore have reduced exposure to UK-specific risks.

## 9.1 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.

As at 31 December 2021, the Group has not and does not currently intend to enter into hedging transactions in relation to the interest and capital repayments associated with the outstanding £350 million guaranteed notes due 2022, €500 million (equivalent to approximately £420 million) guaranteed notes due 2024, €500 million (equivalent to approximately £420 million) guaranteed notes due 2027 or €700 million (equivalent to approximately £588 million) guaranteed notes due 2030.

As at 31 December 2020, the Group did not enter into hedging transactions in relation to the interest and capital repayments associated with the outstanding £350 million guaranteed notes due 2022, €500 million (equivalent to approximately £447 million) guaranteed notes due 2024, €500 million (equivalent to approximately £447 million) guaranteed notes due 2027 or €700 million (equivalent to approximately £626 million) guaranteed notes due 2030.

The Group has historically hedged the risk of changes in relevant spot exchange rates to the extent that they are expected to impact the net assets of its foreign subsidiaries. The Group has used forward exchange contracts as hedges of net investments from foreign operations to the extent required. All derivatives are entered into with counterparties who are considered to be of acceptable creditworthiness. The period end and average exchange rates used when translating the results to Pounds Sterling were as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Year end | Average | Year end | Average |
| EUR | 0.8405 | 0.8600 | 0.8950 | 0.8888 |
| SGD | 0.5478 | 0.5410 | 0.5538 | 0.5651 |
| AUD | 0.5369 | 0.5460 | 0.5641 | 0.5367 |
| HKD | 0.0947 | 0.0935 | 0.0944 | 0.1005 |

The Group's most significant financial instrument foreign exchange risk relates to its Euro-denominated guaranteed notes, totalling €1,700 million (approximately equal to £1,428.8 million). Had the relevant Pound Sterling exchange rate been 5% stronger/weaker, then the Euro-denominated guaranteed notes would instead have been approximately equivalent to £1,357.4 million / £1,500.2 million respectively, resulting in a £71.4 million decrease/increase respectively to the Group's borrowings, impacting the foreign exchange gain or loss in the consolidated income statement accordingly and thereby impacting retained earnings in the consolidated statement of financial position. 5% was used as a reasonably possible benchmark in the context of the extent of annual exchange rate fluctuations between these currencies in recent years.

The consolidated income statement (but not consolidated total equity) is also exposed to foreign exchange in relation to intragroup transactions and balances between subsidiaries with different functional currencies. All such intragroup transactions and balances themselves eliminate on consolidation. However, only the counterparty with a functional currency that differs from the currency in which the financial instrument is denominated will record a foreign exchange gain or loss on the balance; hence there will be no equal and opposite gains or losses to eliminate in the consolidated income statement. These gains and losses are offset by equal and opposite losses and gains in other comprehensive income on retranslation of the results and financial position of overseas subsidiaries. For example, had the Pound Sterling exchange rate been 5% stronger/weaker, then the foreign exchange gain in the consolidated income statement would have decreased/increased by £103.2 million, but there would be no net impact on equity, as there would be a corresponding increase/decrease to other comprehensive income.

## 9.2 Market risk - interest rate risk

The Group's exposure to cash flow interest rate risk arises from cash and cash equivalents, and variable interest-bearing borrowings. The Group's guaranteed notes of £1,767.8 million (31 December 2020: £1,858.5 million) are at fixed interest rates. The Group has limited borrowings at the year-end date that are exposed to interest rate risk (see note 23). The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. Management reviews the proportion of borrowings in fixed and floating rates and ensure they are within an appropriate range to manage interest rate risk.

## 9.3 Market risk - price risk

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

## 9.4 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, and trade and other receivables. The carrying amounts of financial assets represent the maximum credit exposure.

The Group's credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

To manage the credit risk and concentration thereof for trade and other receivables, an assessment of credit quality is made as part of the Group's customer acceptance procedures using a combination of external rating agencies, past experience and other factors. In circumstances where credit information is unavailable or the customer is assessed as higher risk, the risk is mitigated by the use of modified payment terms, customer deposits and parent and bank guarantees. Exposure and payment performance is monitored closely at an individual customer level, with a series of escalating debt recovery actions taken where necessary. The majority of the Group's customers consist of investment grade credit quality companies or companies whose parents are of investment grade credit quality. Thus the credit risk of default on significant amounts of trade and other receivables not with "Daily-Tech" (as defined in note 28) is generally assessed as low. Apart from this, the Group does not have significant trade receivable credit risk exposure to any single counterparty. The nature and credit-worthiness of our customer base have resulted in a significantly reduced COVID-19 impact for Global Switch compared to many other businesses or industries, though one customer has been particularly impacted and has a specific loss allowance against their trade and other receivables (see also note 13 Exceptional items and note 32 Subsequent events).

***Expected credit loss assessment for customers under IFRS 9 Financial Instruments:***

The Group uses an allowance matrix to measure the expected credit losses of trade receivables. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Trade receivable collection is closely monitored and analysed, with correspondence and communication with customers providing information to management on credit risk. Write-offs are infrequent; however, when there is a clear indicator of default, then the corresponding receivable is written-off.

For other receivables that are financial assets, the Group determines expected credit losses separately, applying a probability-weighted estimate. Such an approach may also be taken for trade receivables where the factors are such that the application of the allowance matrix is not appropriate.

Although not classified as a financial instrument under IFRS 9 *Financial Instruments*, a judgment has been made to include accrued income within the expected credit loss allowance. The judgment has been made to ensure the recovery risk on accrued income assets is reflected. Whilst these assets primarily relate to revenue recognised under IFRS 16 *Leases*, IFRS 16 provides no guidance on impairment of accrued income and, in the absence of guidance in the most relevant accounting standard, it is appropriate to consider the guidance in other standards – in this case IFRS 9.

***Expected credit loss quantitative analysis***

The following table provides information about the exposure to credit risk and expected credit losses for trade and relevant other receivables. For each of the Group's financial assets, the gross carrying amount presented represents the relevant maximum exposure to credit risk at the period end without taking into account collateral held or other credit enhancements. The assessment applies only to those trade and other receivables, which are financial instruments, and to accrued income as described above.

| 31 December 2021 | **Weighted average loss rate %** | **Gross carrying amount £m** | **Loss allowance £m** | **Net carrying amount £m** |
|---|---|---|---|---|
| Current (not past due) trade receivables | 0.55 | 41.0 | 0.2 | 40.8 |
| Trade receivables 1-30 days past due | 8.83 | 16.2 | 1.4 | 14.8 |
| Trade receivables 31-60 days past due | 10.48 | 5.9 | 0.6 | 5.3 |
| Trade receivables more than 60 days past due | 11.38 | 9.9 | 1.1 | 8.8 |
| Trade receivables with a specific allowance | N/A | 4.9 | 1.0 | 3.9 |
| ***Total trade receivables (excluding Daily-Tech)*** | | ***77.9*** | ***4.3*** | ***73.6*** |
| Accrued income excluding Daily-Tech (without specific allowance) | 0.55 | 90.2 | 0.5 | 89.7 |
| Accrued income excluding Daily-Tech (with specific allowance) | N/A | 6.4 | 6.4 | - |
| ***Total accrued income excluding Daily-Tech*** | | ***96.6*** | ***6.9*** | ***89.7*** |
| Other receivables | 5.43 | 22.1 | 1.2 | 20.9 |
| **Total in-scope excluding Daily-Tech** | | **196.6** | **12.4** | **184.2** |
| Daily-Tech accrued income | 99.00 | 44.5 | 44.1 | 0.4 |
| Daily-Tech trade receivables | 55.47 | 7.9 | 4.4 | 3.5 |
| **Total in-scope Daily-Tech** | | **52.4** | **48.5** | **3.9** |
| **Total in-scope** | | **249.0** | **60.9** | **188.1** |
| **Total out of scope** | | **1.8** | **-** | **1.8** |
| **Total trade and other receivables** | | **250.8** | **60.9** | **189.9** |

| 31 December 2020 | Weighted average loss rate % | Gross carrying amount £m | Loss allowance £m | Net carrying amount £m |
|---|---|---|---|---|
| Current (not past due) trade receivables | 0.54 | 45.7 | 0.2 | 45.5 |
| Trade receivables 1-30 days past due | 10.50 | 14.9 | 1.6 | 13.3 |
| Trade receivables 31-60 days past due | 13.40 | 6.7 | 0.9 | 5.8 |
| Trade receivables more than 60 days past due | 15.04 | 17.7 | 2.7 | 15.0 |
| ***Total trade receivables excluding Daily-Tech*** | | ***85.0*** | ***5.4*** | ***79.6*** |
| Accrued income | 0.54 | 79.4 | 0.4 | 79.0 |
| Other receivables | 12.86 | 14.0 | 1.8 | 12.2 |
| **Total in-scope excluding Daily-Tech** | | **178.4** | **7.6** | **170.8** |
| Daily-Tech accrued income | 0.54 | 45.4 | 0.2 | 45.2 |
| Daily-Tech trade receivables | 8.03 | 13.7 | 1.1 | 12.6 |
| **Total in-scope Daily-Tech** | | **59.1** | **1.3** | **57.8** |
| **Total in-scope** | | **237.5** | **8.9** | **228.6** |
| **Total out of scope** | | **1.4** | **-** | **1.4** |
| **Total trade and other receivables** | | **238.9** | **8.9** | **230.0** |

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

Loss rates for other receivables are determined after factoring the terms of the agreement, the level credit risk of the counterparties and past experience.

Movements in the allowance for impairment in respect of trade and other receivables:

| | £m |
|---|---|
| **Balance at 31 December 2020** | **8.9** |
| Amounts written off | (0.5) |
| Net remeasurement loss recognised in the consolidated income statement | *52.0 |
| Net remeasurement loss recognised in other comprehensive income | 0.5 |
| **Balance at 31 December 2021** | **60.9** |

*£53.9 million of exceptional impairment costs are included within the net remeasurement loss recognised in the consolidated income statement (see note 13).

The amount written off and still subject to enforcement activity is £nil (year ended 31 December 2020: £nil).

The Group has assessed cash and cash equivalents using a 12 month ECL basis as these had no significant increase in credit risk since initial recognition. The loss allowance at 31 December 2021 and 31 December 2020 was insignificant.

### 9.5 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 multi-currency 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.

### 9.6 Capital management

The Group considers its capital to comprise its ordinary share capital, other reserves, translation reserve, hedging reserve and retained earnings. In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions. The Group has a blend of equity funding and debt financing (see note 23). 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. During the period, the Group has complied with externally imposed capital requirements, including debt covenant requirements.

## 10. Revenue

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

| | 2021<br>£m | 2020<br>£m |
|---|---|---|
| Revenue recognised under IFRS 16: | | |
| - Rental income from investment properties | 292.0 | 300.5 |
| Revenue from contracts with customers recognised under IFRS 15: | | |
| - Provision of power | 80.2 | 67.5 |
| - Provision of additional services | 47.4 | 42.5 |
| Sub-total | 127.6 | 110.0 |
| | **419.6** | **410.5** |

The Group's customer base is broad and diversified with no single customer accounting for more than 10% of the Group's total revenue for the year ended 31 December 2021. For the year ended 31 December 2020, one customer accounted for revenue of £42.3 million (see note 28).

Negligible revenue was recognised in the years ended 31 December 2021 and 31 December 2020 from IFRS 15 performance obligations satisfied (or partly satisfied) in previous periods. Likewise, negligible revenue is expected to be recognised in the future related to IFRS 15 performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The majority of the Group's revenue is outside the scope of IFRS 15.

Rental income is within the scope of IFRS 16, which is recognised in the consolidated income statement on a straight-line basis over the lease term including any fixed indexation.

The timing of revenue recognition, other than rental income from investment properties, is at a point in time.

Service agreements specify certain customer obligations (e.g. restrictions on activities), which reduce the Group's risks in relation to the underlying assets.

Information regarding receivables can be found in note 20.

## 11. Profit before tax

Profit before tax is stated after charging:

| | Note | 2021<br>£m | 2020<br>£m |
|---|---|---|---|
| Depreciation of property, plant and equipment | 19 | 1.7 | 2.4 |
| Amortisation of intangibles | | 0.1 | 0.2 |
| Direct operating expenses – property generating rental income | | 135.2 | 121.8 |
| Short-term lease expense (under IFRS 16) | | - | - |
| Auditor’s remuneration | | 0.9 | 1.2 |
| Employee benefit expense | | 26.1 | 23.8 |
| Defined contribution plan expense | | 1.6 | 1.2 |

## 12. Key management personnel compensation

Key management comprises the Chief Executive Officer, the Chief Financial Officer, the Chief Commercial Officer, the Chief Operating Officer, the Chief Legal Officer, the Chief Design Officer, the Group Director (UK), the Group Director (Asia-Pacific) and the Group Director (Europe). The compensation borne by the Group for key management is:

| | 2021<br>£m | 2020<br>£m |
|---|---|---|
| Salaries, allowance, benefits in kind and performance related bonuses | 8.8 | 6.9 |
| Retirement benefit scheme contributions | 0.1 | 0.1 |
| | **8.9** | **7.0** |

## 13. Exceptional items

### *Exceptional items critical judgments*

Certain items of income or expenditure are classified as exceptional in order to aid the users of the consolidated financial statements in understanding the financial performance of the Group. In classifying items as exceptional, the Group considers the significance of their nature and/or quantum. Judgment may be required in excluding a transaction from exceptional items, as much as in determining that it is appropriate to include a transaction.

Exceptional items are excluded from the Group's definition of EBITDA, which is an alternative performance measure and defined in note 7. 'Exceptional items' does not have a standardised meaning under IFRS.

| | **2021**<br>**£m** | **2020**<br>**£m** |
|---|---|---|
| Impairment of trade and other receivables: Daily-Tech | 46.5 | - |
| Impairment of trade and other receivables: SunGard | 7.4 | - |
| Total exceptional trade and other receivables impairments | 53.9 | - |
| Other COVID-19 costs | 0.2 | 0.1 |
| IPO costs | - | 2.3 |
| Due diligence costs | - | 0.1 |
| | **54.1** | **2.5** |

### *Impairment: Daily-Tech*

As described in note 28, significant expected credit loss ("ECL") allowances are required at 31 December 2021 in relation to trade and other receivables associated with a contract with Daily-Tech Hong Kong Co. Limited ("Daily-Tech"). Despite being subject to a Corporate Guarantee from a 56% majority owned subsidiary of an indirect shareholder in the Group, Jiangsu Shagang Materials Trading Co. Ltd ("Shagang Materials"), a lack of settlement of outstanding trade receivables from either Daily-Tech or Shagang Materials, together with certain assertions made by Shagang Materials created significant uncertainty as to the recoverability of trade and other receivables at 31 December 2021. This has resulted in an impairment charge being recorded in the year. The impairment charge has been classified as exceptional with consideration for IAS 1 *Presentation of Financial Statements*, including the requirement to present information in a manner that provides relevant, reliable, comparable and understandable information. The following factors were considered in making the classification under IAS 1: the quantum, the related party nature, and the fact that the majority of the charge relates to accrued income assets, which accumulated over a number of years under the IFRS 16 *Leases* requirement to straight-line lease revenue and which are therefore 'non-cash'.

### *Impairment: SunGard*

The Group has incurred costs resulting from the ongoing COVID-19 pandemic. Most significantly, these include costs associated with the appointment of administrators by a customer, SunGard Availability Services (UK) Limited, whose financial position has deteriorated as a result of the pandemic (note 32). As a result of the administration, the Group has recognised a specific expected credit loss allowance against trade and other receivables of £7.4 million, again considering the requirements of IAS 1.

### *Other COVID-19 costs*

In addition to the SunGard impairment, the Group has incurred other costs resulting from the ongoing COVID-19 pandemic. Other COVID-19 related exceptional items of £0.2 million (2020: £0.1 million) included: Personal Protective Equipment (PPE) for employees, office disinfectant products and various IT equipment costs to enable employees to work from home.

### *IPO costs*

Following the 24.01% investment by Shagang Group in August 2019 (as disclosed in note 1), Global Switch announced that it was continuing preparation for a public listing on a leading international stock exchange. During 2020, in preparing for an Initial Public Offering (IPO), the Group incurred related costs, including incremental professional fees. Where costs would not otherwise have been incurred and did not reflect underlying operations, they were classified as exceptional items.

### *Due diligence costs*

The Group incurred costs in relation to a due diligence project, which did not form part of recurring operations in the normal course of business. Expenses directly attributable to this project were classified as exceptional items.

## 14. Net finance costs

| | Note | 2021 £m | 2020 £m |
|---|---|---|---|
| **Finance income** | | | |
| Bank and other interest | | 0.2 | 0.1 |
| Other finance income | 28 | 0.5 | 0.9 |
| | | 0.7 | 1.0 |
| **Finance costs** | | | |
| Interest payable on bank loans | | - | (3.3) |
| Interest payable on guaranteed notes | | (40.2) | (33.5) |
| Bank revolving credit facility fee | | (1.2) | (0.8) |
| Amortisation of issue costs | | (2.0) | (1.4) |
| Other finance costs and bank charges* | | (9.2) | (9.3) |
| | | (52.6) | (48.3) |
| Foreign exchange gain (loss) | | 12.1 | (2.0) |
| **Net finance costs** | | **(39.8)** | **(49.3)** |

**Other finance costs and bank charges include individually immaterial items, not further disaggregated, including a fee to a former shareholder of £2.3 million (2020: £2.9 million).*

## 15. Income tax

### *Tax critical estimates*

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

The Group's deferred tax liabilities primarily result from investment property, which is measured at fair value. Any assumptions and key sources of estimation uncertainty applicable to the fair value of investment property are therefore also relevant to the resultant deferred tax liabilities (see note 18). Under IFRS, it is typically required to recognise a deferred tax liability in respect of increased investment property values as the rebuttable presumption is that investment properties carried at fair value will be recovered through sale as individual assets, irrespective of the likelihood of the sale occurring. The presumption may be rebutted if the investment property represents a depreciable asset and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. In the case of the Hong Kong and Singapore data centres, the assumption has been rebutted, which is reflective of the terms of the leaseholds, which could restrict such a sale. For both the Group's investment properties where the presumption is rebutted and for those where it is not, a deferred tax liability arises as a result of temporary differences between the carrying amount of those assets and their tax bases. 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.

### *Analysis of charge for the year*

| | 2021<br>£m | 2020<br>£m |
|---|---|---|
| **Current tax expense** | | |
| On net income before revaluations | 15.2 | 21.0 |
| Adjustments in respect of earlier periods | 0.9 | 1.3 |
| | **16.1** | **22.3** |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | 45.7 | 21.3 |
| Adjustments in respect of earlier periods | 1.4 | 2.1 |
| Change in tax rate | 67.2 | 38.8 |
| | **114.3** | **62.2** |
| **Income tax charge** | **130.4** | **84.5** |

### *Factors affecting tax charge for the year*

| | 2021 £m | 2020 £m |
|---|---|---|
| **Profit before tax** | **318.6** | **289.6** |
| Tax calculated at the domestic rate applicable to the profits in each country concerned | 62.2 | 42.5 |
| Adjustment in respect of earlier periods | 2.3 | 3.4 |
| Change in tax rate | 67.2 | 38.8 |
| Others | (1.3) | (0.2) |
| **Tax charge** | **130.4** | **84.5** |

The tax calculations take into consideration future changes substantively enacted in jurisdictions when determining the appropriate level of deferred tax to be provided on future reversals.

The deferred tax calculation for 31 December 2021 reflects a Dutch tax rate of 25.7% (31 December 2020: 25%) and a UK tax rate of 25% (31 December 2020: 19%) for those UK temporary differences expected to reverse after 1 April 2023, following the enactment of the Finance Act 2021. These changes to tax rates had the one-off effect of increasing the deferred taxation charge for the period by £67.2 million in 2021.

### *Deferred tax*

The movement on the deferred tax account is as follows:

Analysis of Group deferred tax assets and (liabilities):

| | Losses £m | Interest restriction £m | Capital allowances £m | Investment properties £m | Accrued income £m | Total £m |
|---|---|---|---|---|---|---|
| At 31 December 2020 | 24.4 | 24.4 | (239.3) | (811.7) | (8.8) | (1,011.0) |
| Movement recognised in the profit or loss | 9.3 | 7.7 | (36.3) | (94.6) | (0.4) | (114.3) |
| Exchange differences | (1.1) | 0.1 | 9.4 | 28.7 | 0.5 | 37.6 |
| **At 31 December 2021** | **32.6** | **32.2** | **(266.2)** | **(877.6)** | **(8.7)** | **(1,087.7)** |

Exchange differences as a result of the translation of deferred tax assets and liabilities of overseas subsidiaries are recognised through other comprehensive income in accordance with the accounting policy described in note 4.2.

At 31 December 2021, deferred tax assets have been recognised on all tax losses of the Group. Deferred tax assets in relation to losses have been recognised where it is considered probable that there will be future taxable profits available. All tax losses can be carried forward indefinitely.

## 16. Earnings per share – basic

The calculation of the basic earnings per share of £0.02 million (31 December 2020: £0.02 million) attributable to owners of the Company is based on the following data.

| Earnings | 2021<br>£m | 2020<br>£m |
|---|---|---|
| Earnings for the purpose of calculating basic earnings per share (profit for the year) | 188.2 | 205.1 |
| **Number of shares** | | |
| Weighted average number of shares for the purpose of calculating basic earnings per share | 10,000 | 10,000 |

The Group does not have any options or equity related instruments in issue and accordingly no diluted earnings per share is presented.

## 17. Dividends

No dividends were declared or paid for the year ended 31 December 2021 (2020: £67.4 million declared and paid, representing £6,739 per share).

## 18. Investment properties

### *Investment property critical estimates*

Investment properties are the largest component of the Group's net asset value. The value of the investment properties is affected by the conditions prevailing in the property investment market and the general economic environment. Accordingly, the Group's net asset value can change due to external factors beyond management's control. The long-term nature of the agreements with customers provides some protection to the Group from such factors.

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

All of the Group's investment property is Level 3, as defined by IFRS 13 *Fair Value Measurement*, in the fair value hierarchy as at 31 December 2021 and 31 December 2020 and there were no transfers between levels during the period. 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 2021 and 31 December 2020, valued by professionally qualified external valuers. The Group's investment properties were valued by CBRE Limited ("CBRE"), based in London in the United Kingdom. CBRE has sufficient current and international knowledge of the particular property market involved, and has the skills and understanding to undertake the valuations competently. The valuations were prepared in accordance with the RICS Valuation Standards. Valuation fees are independent of the investment property value and based on a fixed amount.

Market value is defined as the estimated amount for which an investment property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. CBRE uses a variety of valuation techniques (valuation metrics), which include yield methodology, internal rate of return ("IRR") and market value analysis including comparable recent market transactions on arm's length terms. In doing so, they consider assumptions, data and key sources of estimation uncertainty including forecasts for customer renewals, void periods, capital expenditure (see also note 23 for the use of borrowings proceeds), operational expenditure and other relevant cash flow assumptions. There have been no changes in the valuation techniques used by CBRE between 31 December 2020 and 31 December 2021.

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

Holding all other assumptions constant, an increase of 25 basis points on both the IRR and the exit yield rates would result in a net reduction in the investment properties valuation of £263.8 million to £5,942.6 million and £257.2 million to £5,868.9 million at 31 December 2021 and at 31 December 2020 respectively. A corresponding decrease would result in a net increase in the investment properties valuation of £286.8 million to £6,493.2 million and £278.9 million to £6,405.0 million at 31 December 2021 and at 31 December 2020 respectively.

In accordance with IAS 40 *Investment property* and IAS 10 *Events after the reporting date*, the estimated fair value of the Hong Kong data centre reflects assumptions with respect to how a market participant would consider information in relation to the Corporate Guarantee that existed at the reporting date (see note 28).

| | Completed £m | Development £m | Total £m |
|---|---|---|---|
| **Balance at 1 January 2021** | **5,967.6** | **60.7** | **6,028.3** |
| Additions | 98.1 | 22.3 | 120.4 |
| Revaluation | 170.4 | (7.9) | 162.5 |
| Foreign exchange movement | (159.9) | (3.4) | (163.3) |
| **Balance at 31 December 2021** | **6,076.2** | **71.7** | **6,147.9** |

**Valuation inputs – completed investment properties: 31 December 2021**

| *Asset type* | *Initial yield range* | *Exit yield range* | *IRR range* | *Rental value range £m* |
|---|---|---|---|---|
| Data centres | 0.15 – 5.24% | 5.35 – 6.75% | 6.15 – 10.25% | 2.4 – 49.3 |

**Valuation inputs – completed investment properties: 31 December 2020**

| *Asset type* | *Initial yield range* | *Exit yield range* | *IRR range* | *Rental value range £m* |
|---|---|---|---|---|
| Data centres | (0.36) – 5.69% | 5.35 – 7.00% | 6.30 – 10.50% | 1.3 – 51.9 |

The table below shows a reconciliation of the amounts shown in the consolidated statement of financial position in respect of investment property assets and liabilities to the valuation prepared by the external valuers. Only the elements of the relevant asset and liability categories that relate to investment property are included in the reconciliation.

| | 2021 £m | 2020 £m |
|---|---|---|
| **Investment properties carrying amount** | **6,147.9** | **6,028.3** |
| Accrued income included in trade and other receivables | 74.8 | 113.3 |
| Lease obligations included in current borrowings | (0.9) | (1.2) |
| Lease obligations included in non-current borrowings | (15.4) | (14.3) |
| **Investment properties at valuation** | **6,206.4** | **6,126.1** |

The investment property details for each location are as follows:

| Location | Ownership |
|---|---|
| ***Completed*** | |
| Amsterdam West | Leasehold (50 year term expiring 2045) |
| Frankfurt North | Freehold |
| Frankfurt South | Freehold |
| Hong Kong | Leasehold (35 year term expiring 2047) |
| London East | Freehold |
| London North | Freehold |
| Madrid | Freehold |
| Paris East | Freehold |
| Paris West | Freehold |
| Singapore Tai-Seng | Leasehold (30 year term expiring 2023) |
| Singapore Woodlands | Leasehold (30 year term expiring 2039) |
| Sydney West | Freehold |
| Sydney East | Freehold |
| ***Development*** | |
| Amsterdam East | Leasehold (50 year term expiring 2045) |
| Frankfurt Gunther | Freehold |
| London South | Freehold |

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

The Directors have exercised judgement in considering the potential transfer of the risks and rewards of ownership in accordance with IFRS 16 *Leases* for all properties contracted to customers and have determined that such contracts are to be accounted for as operating leases.

## 19. Property, plant and equipment

| | Right-of-use asset £m | Other £m | Total £m |
|---|---|---|---|
| ***Cost*** | | | |
| At 1 January 2020 | 13.5 | 6.7 | 20.2 |
| Additions | - | 1.7 | 1.7 |
| At 31 December 2020 | 13.5 | 8.4 | 21.9 |
| Additions | - | 0.9 | 0.9 |
| Disposal | (4.6) | - | (4.6) |
| At 31 December 2021 | 8.9 | 9.3 | 18.2 |
| | | | |
| ***Accumulated depreciation*** | | | |
| At 1 January 2020 | 0.1 | 5.5 | 5.6 |
| Charge for the year | 1.1 | 1.3 | 2.4 |
| At 31 December 2020 | 1.2 | 6.8 | 8.0 |
| Disposal | (0.6) | - | (0.6) |
| Charge for the year | 0.9 | 0.8 | 1.7 |
| At 31 December 2021 | 1.5 | 7.6 | 9.1 |
| | | | |
| ***Carrying amount*** | | | |
| **At 31 December 2021** | **7.4** | **1.7** | **9.1** |
| At 31 December 2020 | 12.3 | 1.6 | 13.9 |

The 2021 disposal, which related to non-revenue-generating assets within the Group's *Corporate and Other* operating segment, resulted in a £0.4 million gain on disposal, recognised in the consolidated income statement.

## 20. Trade and other receivables

| | 2021 £m | 2020 £m |
|---|---|---|
| Trade receivables | 77.1 | 92.2 |
| Accrued income | 90.1 | 124.2 |
| Other receivables | 14.6 | 10.2 |
| Prepayments | 1.8 | 1.4 |
| Current trade and other receivables | **183.6** | **228.0** |
| Other receivables – non-current | 6.3 | 2.0 |
| Total trade and other receivables | **189.9** | **230.0** |

The Directors consider the carrying amount of those trade and other receivables that are classified as financial assets to approximate their fair value.

Accrued income primarily relates to assets recognised as a result of the accounting requirement to spread the recognition of rental income from investment properties over the service agreement term, which may differ from the timing of billing and cash receipts, according to the specific contractual agreements with customers.

Within the trade and other receivables are related party amounts, as disclosed in note 28. Credit risk analysis is disclosed in note 9.

*Reconciliation of gross to net carrying amounts for trade and other receivables*

| | Trade receivables | | Other receivables, including non-current | | Accrued income | |
|---|---|---|---|---|---|---|
| | 2021 £m | 2020 £m | 2021 £m | 2020 £m | 2021 £m | 2020 £m |
| Gross carrying amount | 85.8 | 98.7 | 22.1 | 14.0 | 141.1 | 124.8 |
| Allowance for impairment | (8.7) | (6.5) | (1.2) | (1.8) | (51.0) | (0.6) |
| Net carrying amount | **77.1** | **92.2** | **20.9** | **12.2** | **90.1** | **124.2** |

In determining the recoverability of trade and other receivables, the management of the Group considers any change in the credit quality of the trade and other receivables from the date credit was initially granted up to the end of the reporting period. See note 9 for further information on financial risk management.

The Group has a policy of allowing credit periods ranging from 30 days to 60 days. The following is an aged analysis of trade receivables, presented based on invoice dates at the end of each reporting period.

| | 2021 £m | 2020 £m |
|---|---|---|
| Within 60 days | 58.7 | 65.4 |
| 61 to 90 days | 5.4 | 6.1 |
| 91 to 120 days | 2.5 | 5.2 |
| Over 120 days | 10.5 | 15.5 |
| | **77.1** | **92.2** |

Details of impairment assessment of trade and other receivables are set out in note 9.

## 21. Cash and cash equivalents

| | 2021 £m | 2020 £m |
|---|---|---|
| Cash at bank and in hand | 409.8 | 423.3 |
| Restricted cash | 1.4 | 0.5 |
| | **411.2** | **423.8** |

Restricted cash at 31 December 2020 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. Restricted cash at 31 December 2021 additionally includes an Australian bank security deposit.

## 22. Trade and other payables

| | 2021<br>£m | 2020<br>£m |
|---|---|---|
| Trade payables | 18.1 | 40.8 |
| Accruals | 63.7 | 78.8 |
| Deferred income | 41.2 | 44.8 |
| Provisions | 11.6 | 15.4 |
| Social security and other taxation | 5.8 | 6.0 |
| Other payables | 8.0 | 11.4 |
| Total trade and other payables | **148.4** | **197.2** |

The credit period for trade payables is from 30 to 60 days from the invoice dates.

The following is an aged analysis of trade payables, presented based on invoice date at the end of the reporting periods.

| | 2021<br>£m | 2020<br>£m |
|---|---|---|
| Within 60 days | 16.5 | 39.1 |
| 61 to 90 days | 1.3 | 0.8 |
| Over 90 days | 0.3 | 0.9 |
| | **18.1** | **40.8** |

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

Within other payables are related party amounts, as disclosed in note 28.

In the ordinary course of business the Group is engaged in certain actual, threatened or potential legal disputes, and other activities which may result in liabilities of uncertain timing or amount. In the legal disputes where Group entities are the actual or potential claimant to the dispute, the exposure is generally limited to legal and associated costs. Where Group entities are the actual or potential defendant, the Group considers the probability that the claim would be successful and recognise a provision where appropriate. The Group is confident of its legal positions, both as actual or potential plaintiff or defendant. Save as included within provisions, the Group does not currently believe that there are any legal proceedings, or government or regulatory investigations that may have a material adverse impact on the operations or financial condition of the Group.

## 23. Borrowings

| | 2021 £m | 2020 £m |
|---|---|---|
| **Current borrowings** | | |
| Bank loans* | (0.3) | - |
| Lease obligations | 1.8 | 2.0 |
| Guaranteed notes | 349.7 | - |
| | **351.2** | **2.0** |
| **Non-current borrowings** | | |
| Bank loans* | - | (1.3) |
| Lease obligations | 26.6 | 26.3 |
| Guaranteed notes | 1,418.1 | 1,858.5 |
| | **1,444.7** | **1,883.5** |
| **Total borrowings** | **1,795.9** | **1,885.5** |

**Bank loans include negative £0.3 million (31 December 2020: negative £1.3 million) in relation to unamortised debt issue costs on the revolving credit facility.*

Based on the scheduled repayment dates as set out in the relevant agreements, the carrying amounts of the above borrowings are repayable as follows.

| | 2021 £m | 2020 £m |
|---|---|---|
| Within one year | 351.2 | 2.0 |
| Within a period of more than one year but not exceeding two years | 2.0 | 350.1 |
| Within a period of more than two years but not exceeding five years | 426.2 | 452.1 |
| Within a period of more than five years | 1,016.5 | 1,081.3 |
| | **1,795.9** | **1,885.5** |
| Less: amounts due within one year shown under current liabilities | (351.2) | (2.0) |
| **Amounts shown under non-current liabilities** | **1,444.7** | **1,883.5** |

At 31 December 2021 and 31 December 2020, the Group's borrowings were unsecured. Details of the guarantors of the guaranteed notes and bank loans are set out in note 29. All other borrowings (lease obligations) were unguaranteed.

The Directors consider the carrying amount of the bank loans and the lease obligations to approximate their fair value. The fair value measurements for guaranteed notes are categorised as Level 2 in the fair value hierarchy. Level 1 of the fair value hierarchy is reserved for items where the inputs comprise unadjusted quoted prices from active markets for identical assets or liabilities that the entity can access at the reporting date.

Based on the quoted bid price, the fair value of the guaranteed notes are as follows.

*At 31 December 2021*

- 4.375% guaranteed notes £350.0 million: fair value of £359.1 million (31 December 2020: £375.7 million fair value) maturing December 2022.
- 1.5% guaranteed notes €500.0 million: fair value of £425.9 million (31 December 2020: £465.5 million fair value) maturing January 2024.
- 2.25% guaranteed notes €500.0 million: fair value of £432.5 million (31 December 2020: £492.6 million fair value) maturing May 2027.
- 1.375% guaranteed notes €700.0 million: fair value of £582.1 million (31 December 2020: £654.0 million fair value) maturing October 2030.

The Group aims to embed its sustainability strategy into every aspect of the business, including design, delivery and operational practices. During 2020, the Group issued its inaugural €700 million Green Bond with a coupon rate of 1.375%. Net proceeds are allocated to eligible projects that will help fund the Group's expansion plans by developing new green data centres and improving energy efficiency at existing facilities. At its data centres, the Group is making progress with its life cycle replacement programme and energy efficiency improvement initiatives. The Group's sustainability strategy is considered in the capital expenditure forecasts that are amongst the estimates relevant to the valuation of the investment properties (note 18).

Following the issuance, the Group's borrowings under its £425 million revolving credit facility were repaid. However, the revolving credit facility remained available to the Group. The Group exercised its first extension option on the revolving credit facility in December 2020. Following this extension, the facility was due to mature in April 2022, but has been further extended by a month to 31 May 2022 with a total commitment of £175 million for that one-month extension. At the date of the approval of the consolidated financial statements, the Group is at an advanced stage in closing a new facility with a consortium of lenders.

The revolving credit facility was undrawn at 31 December 2021 (31 December 2020: undrawn).

In December 2020, guaranteed notes of A$12.9 million were repaid on maturity.

Interest on bank loans is charged at floating rates of interest by reference to LIBOR or EURIBOR or, in relation to any non-LIBOR currency, the benchmark rate for that currency plus a sub-1% margin. The revolving credit facility includes a number of financial covenants.

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

| **2021** | **Bank loans** | **Lease obligations** | **Guaranteed notes** | **Total** |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** |
| GBP | (0.3) | 12.2 | 349.7 | 361.6 |
| SGD | - | 7.6 | - | 7.6 |
| HKD | - | 2.6 | - | 2.6 |
| EUR | - | 6.0 | 1,418.1 | 1,424.1 |
| | **(0.3)** | **28.4** | **1,767.8** | **1,795.9** |

| **2020** | **Bank loans** | **Lease obligations** | **Guaranteed notes** | **Total** |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** |
| GBP | (1.3) | 12.8 | 349.5 | 361.0 |
| SGD | - | 7.6 | - | 7.6 |
| HKD | - | 1.1 | - | 1.1 |
| EUR | - | 6.8 | 1,509.0 | 1,515.8 |
| | **(1.3)** | **28.3** | **1,858.5** | **1,885.5** |

The minimum lease payments under lease obligations included within borrowings fall due as follows:

| | 2021 £m | 2020 £m |
|---|---|---|
| Less than one year | 2.2 | 2.1 |
| Between one and two years | 2.2 | 2.1 |
| Between two and five years | 8.6 | 7.5 |
| More than five years | 48.7 | 50.0 |
| | 61.7 | 61.7 |
| Future finance charges | (33.3) | (33.4) |
| | **28.4** | **28.3** |
| Less than one year | 1.8 | 2.0 |
| Between one and five years | 9.0 | 8.0 |
| More than five years | 17.6 | 18.3 |
| **Present value** | **28.4** | **28.3** |

***Liquidity and interest risk tables***

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. For maturity analysis of lease obligations, see above.

| | 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 | Carrying amount £m |
|---|---|---|---|---|---|---|---|
| **2021** | | | | | | | |
| Trade and other payables | | 89.8 | - | - | - | 89.8 | 89.8 |
| Bank loans and borrowings- - Fixed interest rate instruments | 4.38% | 365.3 | - | - | - | 365.3 | 349.7 |
| Bank loans and borrowings- - Fixed interest rate instruments | 1.50% | 6.3 | 6.3 | 426.5 | - | 439.1 | 419.2 |
| Bank loans and borrowings- - Fixed interest rate instruments | 2.25% | 9.5 | 9.5 | 28.4 | 429.7 | 477.1 | 417.4 |
| Bank loans and borrowings- - Fixed interest rate instruments | 1.38% | 8.1 | 8.1 | 24.3 | 620.6 | 661.1 | 581.5 |
| | | **479.0** | **23.9** | **479.2** | **1,050.3** | **2,032.4** | **1,857.6** |

| | Weighted average effective interest rate | Within one year | Between one and two years | Between two and five years | More than five years | Total | Carrying amount |
|---|---|---|---|---|---|---|---|
| | | £m | £m | £m | £m | £m | £m |
| **2020** | | | | | | | |
| Trade and other payables | | 131.0 | - | - | - | 131.0 | 131.0 |
| Bank loans and borrowings- - Fixed interest rate instruments | 4.38% | 15.3 | 365.3 | - | - | 380.6 | 349.5 |
| Bank loans and borrowings- - Fixed interest rate instruments | 1.50% | 6.7 | 6.7 | 460.9 | - | 474.3 | 446.0 |
| Bank loans and borrowings- - Fixed interest rate instruments | 2.25% | 10.1 | 10.1 | 30.2 | 467.6 | 518.0 | 444.2 |
| Bank loans and borrowings- - Fixed interest rate instruments | 1.38% | 8.6 | 8.6 | 25.8 | 669.6 | 712.6 | 618.8 |
| | | **171.7** | **390.7** | **516.9** | **1,137.2** | **2,216.5** | **1,989.5** |

## 24. Share capital

| | Authorised ordinary shares | | Issued, allotted and fully paid ordinary shares | |
|---|---|---|---|---|
| | Number | £m | Number | £m |
| At 31 December 2021 and 31 December 2020 | 5,000,000 | -* | 10,000 | -* |

**Less than £0.1 million*

The Group has one class of ordinary shares which carry no right to fixed income.

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.

## 25. Leases

### *Leases where the Group acts as lessee in accordance with IFRS 16*

The Group's operating leases as a lessee have been treated in accordance with the accounting policy described in note 4.6. Right-of-use assets for land associated with data centres are included in investment properties (note 18). Right-of-use assets for leased office space are classified as property, plant and equipment (note 19). Lease liabilities are included within borrowings (note 23).

### *Leases where the Group acts as a lessor in accordance with IFRS 16*

The Group enters into medium to long-term service agreements with its customers, which typically last three to ten years, and are classified as operating leases. The following table sets out a maturity analysis for undiscounted lease payments to be received after the reporting date.

| | **2021**<br>**£m** | **2020**<br>**£m** |
|---|---|---|
| Less than one year | 274.0 | 255.0 |
| Between one and two years | 244.8 | 220.3 |
| Between two and three years | 198.4 | 191.5 |
| Between three and four years | 146.9 | 138.0 |
| Between four and five years | 123.9 | 118.7 |
| After more than five years | 331.9 | 381.0 |
| | **1,319.9** | **1,304.5** |

The undiscounted lease payments at 31 December 2021 include a total of £251.5 million in relation to a 15MW contract with Daily-Tech and which was subject to a Corporate Guarantee at that date from Shagang Materials. In April 2022, notice was served of the Group's intention to terminate this contract. A new services agreement for 15MW in the Hong Kong data centre has been agreed, resulting in undiscounted commitments of approximately £143 million (see note 32 Subsequent Events).

The undiscounted lease payments at 31 December 2021 also include a total of £41.0 million in relation to a customer in the Group's London East data centre, which appointed administrators in 2022 (see note 13 and note 32). The Group is in the process of contracting directly with end customers in order to ensure that these undiscounted commitments are realised in line with the maturities.

The Group's leasing activities as a lessor are described throughout the notes to the consolidated financial statements, including in:

- Significant accounting policies (note 4);
- Revenue accounting policy (note 4.9);
- Revenue (note 10); and
- Investment properties (note 18).

## 26. Capital commitments

The Group had capital commitments in relation to expenditure on investment properties as follows:

| | 2021<br>£m | 2020<br>£m |
|---|---|---|
| Capital commitments in relation to investment properties | **41.3** | 35.6 |

The Group did not have any material capital commitments in respect of non-investment property related property, plant and equipment at 31 December 2021 (2020: £nil).

## 27. Contingent liabilities

In the ordinary course of business the Group is engaged in certain actual, threatened or potential commercial and legal disputes. In the legal disputes where Group entities are the actual or potential claimant to the dispute, the exposure is generally limited to legal and associated costs. Where Group entities are the actual or potential defendant, the Group considers the probability that the claim would be successful and recognise a provision where appropriate. The Group is confident of its legal positions, both as actual or potential plaintiff or defendant. Save as included within provisions, the Group does not currently believe that there are any legal proceedings, or government or regulatory investigations that may have a material adverse impact on the operations or financial condition of the Group.

## 28. Related party transactions

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

***Jiangsu Shagang Materials Trading Co. Ltd ("Shagang Materials")***

Shagang Materials is a 56% majority owned subsidiary of an indirect shareholder in the Group, which has guaranteed financial assets due under a 15MW Hong Kong customer agreement with Daily-Tech Hong Kong Co. Limited ("Daily-Tech") ("Corporate Guarantee").

Daily-Tech is a former related party of the Group. All service agreements with Daily-Tech, other than the 15MW Hong Kong agreement, were terminated in 2020.

During 2021, revenue totaling £26.1 million (2020: £27.1 million) was recognised in relation to transactions under the 15MW Hong Kong agreement.

During the year ended 31 December 2021, the Group received payments totaling £27.2 million (2020: £41.2 million) under the Corporate Guarantee by an entity, who is not considered to be a related party of the Group, on behalf of Shagang Materials. A further £7.9 million was received in 2022 in relation to trade receivables due as at 31 December 2021 (see Subsequent Events below).

Interest of £0.5 million on receivables due from Daily-Tech has been recognised within other finance income in the year ended 31 December 2021 (year ended 31 December 2020: £0.9 million). See note 14.

In April 2022, following protracted discussions, which had been ongoing during 2021, notices were issued to Daily-Tech of the Group's intention to terminate the 15MW Hong Kong agreement and thus the Corporate Guarantee would also be terminated and replaced by a new contract to be entered into by Shagang Materials or another approved contracting party.

**Impairments to trade and other receivables**

Significant expected credit loss ("ECL") allowances are required at 31 December 2021 to reflect the risks that existed at that date in relation to the recoverability of trade receivables and accrued income at that date. In accordance with IAS 10 *Events after the reporting date*, the ECLs reflect the extent to which information subsequent to 31 December 2021 provides additional insight into the conditions that existed at the reporting date. The ECLs are presented as part of the table below.

**Net balance sheet in relation to the contract that was subject to the Corporate Guarantee**

Amounts recognised in the Group's consolidated statement of financial position in relation to this contract were as follows:

| 31 December 2021 | Gross carrying amount | ECL if applicable | Net carrying amount |
|---|---|---|---|
| | £m | £m | £m |
| Trade receivables | 7.9 | 4.4 | 3.5 |
| Accrued income | 44.5 | 44.1 | 0.4 |
| Accruals | (0.1) | - | (0.1) |
| | **52.3** | **48.5** | **3.8** |

| 31 December 2020 | Gross carrying amount | ECL if applicable | Net carrying amount |
|---|---|---|---|
| | £m | £m | £m |
| Trade receivables | 13.7 | 1.1 | 12.6 |
| Accrued income | 45.4 | 0.2 | 45.2 |
| Deferred income | (6.2) | - | (6.2) |
| Accruals | (0.1) | - | (0.1) |
| | **52.8** | **1.3** | **51.5** |

The additional ECL reflected in the consolidated statement of financial position at 31 December 2021 is £47.2 million (i.e., the ECL in excess of the £1.3 million allowance brought forward at 31 December 2020). The consolidated income statement charge is £46.5 million (£0.7 million lower) due to the respective treatments of foreign exchange translation for the consolidated income statement and the consolidated statement of financial position. The £46.5 million has been included within exceptional items (see note 13).

**Subsequent events**

In April 2022, a Framework Agreement was signed with Shagang Materials whereby:

- The Group has issued Daily-Tech with notices of its intention to terminate the remaining contracts with Daily-Tech.
- £7.9 million was received under the Corporate Guarantee (see above).
- Shagang Materials are expected to be released from any further liability under the Corporate Guarantee.

Additionally, the following are expected to result pursuant to the same Framework Agreement. These are further non-adjusting events since they do not relate to conditions that existed at 31 December 2021.

- A new 15MW service agreement will be entered into with Shagang Materials or another approved contracting party in the Hong Kong data centre, guaranteed by Shagang Materials.
- The Group granted Shagang Materials an option to acquire additional capacity in the Hong Kong data centre for an option fee of HKD 80 million (approximately £7.6 million).

***Elegant Jubilee Limited***

Amounts recognised in relation to transactions with Elegant Jubilee Limited were as follows:

| | 2021 £m | 2020 £m |
|---|---|---|
| Recharge of capital and administrative expenses | 0.5 | 1.0 |

| | 2021 £m | 2020 £m |
|---|---|---|
| Amount due from Elegant Jubilee Limited (included in trade and other receivables) | - | 0.6 |

***Jiangsu Shagang Co., Ltd. ("JSC")***

JSC is an entity over which the Jiangsu Shagang Group Co., Limited (see note 1) has significant influence. In the year ended 31 December 2020, the Group recharged JSC £0.1 million for administrative and other services. The £0.1 million was included in trade and other receivables at 31 December 2020. In the year ended 31 December 2021, there were no such transactions.

***Shanghai Shagang Enterprise Management Co., Ltd ("SSEM")***

SSEM is an entity consolidated by Shagang Group. In the year ended 31 December 2020 SSEM recharged the Group less than £0.1 million for administrative and other services. The recharge was settled as at 31 December 2020. In the year ended 31 December 2021, there were no such transactions.

## 29. Particulars of principal subsidiaries of the Company

As at 31 December 2021 and 31 December 2020 and up to the date of this report, the Group owns 100% of the ordinary share capital of all of the companies below, except for those companies noted in footnotes 6 and 7 below. The percentage of the issued share capital held by the Group is equivalent to the proportion of voting rights held. All of the companies listed below operate in their respective country of registration/incorporation.

| | Place of registration / incorporation | Issued and fully paid share capital | | Nature of business |
|---|---|---|---|---|
| Global Switch Limited [1,2,3,5] | England and Wales | GBP | 4 | Acting as an administration company |
| Global Switch Group Limited [3,4,5,6] | British Virgin Islands | AUD | 1 | Holding company |
| Global Switch Estates 1 Limited [2,3,5] | England and Wales | GBP | 1 | Ownership and operation of real estate |
| Global Switch Estates 2 Limited [2,3,5] | England and Wales | GBP | 1 | Ownership and operation of real estate |
| Global Switch Amsterdam Property B.V. [2,3,5] | Netherlands | EUR | 20,000 | Operating company |
| Global Switch Amsterdam B.V. [2,3,5] | Netherlands | EUR | 20,000 | Ownership and operation of real estate |
| Global Switch PropertyHolding B.V. [2,3,5] | Netherlands | EUR | 50,020,000 | Holding company |
| Global Switch FM GmbH [3] | Germany | EUR | 25,100 | Ownership and operation of real estate |
| CarrierHaus GmbH [3] | Germany | EUR | 25,565 | Operating company |
| Global Switch Germany (Haftungsbeschrankt) [3] | Germany | EUR | 1,000 | Holding company |
| Global Switch Property Germany GmbH[3] | Germany | EUR | 25,000 | Holding company |
| Global Switch Paris SAS [2,3,5] | France | EUR | 14,000,000 | Ownership and operation of real estate |
| Global Switch France Holdings SAS [2,3,5] | France | EUR | 2,000,000 | Holding company |
| Global Switch Property Madrid S.L. [3] | Spain | EUR | 611,575 | Ownership and operation of real estate |
| Global Switch Spain Holdings S.L. [3] | Spain | EUR | 3,010 | Holding company |
| Global Switch (Property) Singapore Pte Limited [2,3,5] | Singapore | SGD | 91,178,875 | Ownership and operation of real estate |
| Global Switch Singapore Holdings Pte Limited [2,3,5] | Singapore | SGD | 1 | Holding company |
| Global Switch Property (Australia) Pty Limited [2,3,4,5,7] | Australia | AUD | 1 | Ownership and operation of real estate |
| Global Switch Australia Pty Limited [2,3,4,5,7] | Australia | AUD | 1 | Ownership and operation of real estate |
| Global Switch Australia Holdings Pty Limited [2,3,4,5,7] | Australia | AUD | 1 | Holding company |
| Global Switch Property Pty Limited [4,5,7] | Australia | AUD | 1 | Non-operating company |
| Global Switch Hong Kong Limited [3,4,5] | Hong Kong | HKD | 356,908,000 | Ownership and operation of real estate |
| ICT Centre Holding B.V. [2,3,5] | Netherlands | EUR | 2,020,050 | Holding company |
| Global Switch Finance B.V. | Netherlands | EUR | 1 | Borrowing company |
| Global Switch Finance Limited [1] | Jersey | GBP | 1 | Group financing company |
| Brookset 20 Limited [1,5] | British Virgin Islands | USD | 35,343 | Holding company |
| ICT Centre France B.V. [2,3,5] | Netherlands | EUR | 4,950 | Holding company |
| Global Switch Coöperatief U.A. Limited [5] | Netherlands | EUR | 100 | Holding company |

(1) Owned directly by Global Switch Holdings Limited.
(2) Guarantor under £350 million guaranteed notes due 2022, €500 million guaranteed notes due 2024 and €500 million guaranteed notes due 2027.
(3) Guarantor under the £425 million multicurrency revolving credit facility at 31 December 2021, entered into on 17 February 2017.
(4) Guarantor under the €500 million guaranteed notes due 2024 and €500 million guaranteed notes due 2027.
(5) Guarantor under the €700 million guaranteed notes due 2030.
(6) Global Switch Group Limited ("GSGL") is not owned by the Company. However, the Company is required to consolidate GSGL under the IFRS 10 definition of control as the Company is judged by the Directors to have met all three of the elements of control outlined in IFRS 10, including being exposed to and having rights to variable returns from its involvement with GSGL and having the ability to affect those returns.
(7) A wholly owned subsidiary of Global Switch Group Limited.

## 30. Hedging reserve

The Group has historically had foreign currency forward contracts designated as highly effective hedging instruments in order to manage the Group's foreign currency exposure in relation to the foreign operations. The hedging reserve represents the cumulative amount of gains and losses on net investment hedges.

At 31 December 2021 and 31 December 2020, the Group was not a party to foreign exchange forward contracts.

## 31. Reconciliation of liabilities or assets arising from financing activities

The table below details changes in the Group's liabilities or assets arising from financing activities, including both cash and non-cash changes. Liabilities or assets arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

| | Bank loans | Lease obligations | Guaranteed notes | Total |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| At 1 January 2020 | 124.8 | 28.4 | 1,196.5 | 1,349.7 |
| Net financing cash flows | (129.0) | (2.3) | 623.5 | 492.2 |
| Amortisation of bank loan / bond costs | 1.1 | - | 1.4 | 2.5 |
| Accrued issue costs | - | - | (0.7) | (0.7) |
| Lease interest | - | 1.8 | - | 1.8 |
| Foreign exchange translation | 1.8 | 0.4 | 37.8 | 40.0 |
| **At 31 December 2020** | **(1.3)** | **28.3** | **1,858.5** | **1,885.5** |

| | | | | |
|---|---|---|---|---|
| At 1 January 2021 | (1.3) | 28.3 | 1,858.5 | 1,885.5 |
| Net financing cash flows | - | (2.2) | - | (2.2) |
| Lease additions | - | 1.6 | - | 1.6 |
| Amortisation of bank loan / bond costs | 1.0 | - | 2.0 | 3.0 |
| Lease interest | - | 1.7 | - | 1.7 |
| Foreign exchange translation | - | (1.0) | (92.7) | (93.7) |
| **At 31 December 2021** | **(0.3)** | **28.4** | **1,767.8** | **1,795.9** |

## 32. Subsequent events

### *Daily-Tech and Shagang Materials*

Subsequent to 31 December 2021, there have been a series of actions and agreements pertaining to arrangements with Daily-Tech and Shagang Materials at the Group's Hong Kong data centre. These are non-adjusting events; however significant expected credit loss ("ECL") allowances are required at 31 December 2021 to reflect the risks that existed at that date in relation to the recoverability of the year-end trade receivables and accrued income. See note 28.

### *Customer administration*

Subsequent to 31 December 2021, a customer in the Group's London East data centre appointed administrators. The customer's most recent annual report and financial statements cite the effects of the COVID-19 pandemic as central to the deterioration in their financial health. The administration in 2022 is an adjusting subsequent event because it reflects conditions that existed as at 31 December 2021. Trade and other receivables have been substantially impaired. The Group is in the process of contracting directly with the end customers of the company that has appointed administrators. See note 13.

### *Revolving credit facility*

Subsequent to 31 December 2021, the Group's revolving credit facility has been extended from 30 April 2022 to 31 May 2022 with a total commitment of £175 million for that one-month extension. At the date of the approval of the consolidated financial statements, the Group is at an advanced stage in closing a new facility with a consortium of lenders. See note 23.

# RECONCILIATIONS OF ALTERNATIVE PERFORMANCE MEASURES

| | Year ended 31 December 2021 reported £m | Impact of change in FX rates £m | Year ended 31 December 2021 at constant currency* £m | Year ended 31 December 2020 £m |
|---|---|---|---|---|
| **Reported IFRS revenue** | **419.6** | **9.7** | **429.3** | **410.5** |
| Less power revenue | (80.2) | (1.7) | (81.9) | (67.5) |
| **Revenue excluding power** | **339.4** | **8.0** | **347.4** | **343.0** |

* Translating the relevant 2021 financial performance of foreign operations at 2020 average foreign exchange rates.

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