Global Switch Estates 2 Limited

Annual Report and Financial Statements

Year Ended 31 December 2017

Company Number 04729738

Global Switch Estates 2 Limited

Report and financial statements
for the year ended 31 December 2017

Contents

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Directors

J A Corcoran
J W Stevenson

Registered office

4th Floor, Millbank Tower, 21-24 Millbank, London SW1P 4QP

Company number

04729738

Auditor

Deloitte LLP, London.

Global Switch Estates 2 Limited

Strategic Report

for the year ended 31 December 2017

The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

Review of the business

The principal activities of the Company are the provision of data centre technical and office space and facilities management services.

The profit and loss account is set out on page 7 and shows the result for the period. The Company made a profit of £44,494,000 for the year ended 31 December 2017 (9 month period ended 31 December: £40,778,000).

Key performance indicators

A range of performance indicators is used to monitor and manage the business. Those that are particularly important in monitoring the Company's progress in generating value for the shareholders are considered to be key performance indicators (KPIs). These KPIs measure past performance and also provide management with information to allow them to manage the business into the future. Turnover and operating profit indicate the volume of sales and its profitability. Investment property valuation indicates the value of the business.

	Dec 2017	Dec 2016
	£'000	£'000
Turnover	88,836	64,665
Operating profit	64,298	45,907
Investment property valuation	1,146,820	1,122,600

The increase in the market value of the data centre from £1,122,600,000 to £1,146,820,000, or 2.2%, which reflects the Company's continued ability to attract customers and achieve high occupancy rates as well as positive movements in the London data centre property market over the period.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to be fluctuation in the movement in the value of investment properties, fluctuation in the cost of utilities, inflation and demand/ supply dynamics in the London data centre market in the lead up to Brexit. Management monitor the property market and the performance of the assets and cost of utilities against budget. Fluctuations in foreign exchange are also kept under review.

Future Developments

The business is stable and the Company has maintained a high level of occupancy to the end of December 2017. The Company believes that it is extremely well positioned to maximise the imbalance between moderate supply of, and strong demand for, quality data centre space. With significant barriers to entry of the market, it is difficult to see new developers entering the market, particularly given the capital intensive nature of the data centre industry and the strong customer demand for a proven operational track record.. The Company has a full customer pipeline over the medium term.

Post Balance Sheet Events

At the date of this report, the Company is not aware of any events that would affect the financial statements for the year ended 31 December 2017.

Approved by the Board and signed on its behalf by:
J W Stevenson
Director
28 September 2018

The directors present their annual report on the affairs of the Company, together with the financial statements and the independent auditor's report, for the year ended 31 December 2017. Principal activities, details of events affecting the Company since the financial period end and an indication of likely future developments in the business have been included in the Strategic report and form part of this Directors' report by reference.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in interest rates. Interest bearing assets and liabilities are held at fixed rates, where possible, to ensure certainty of cash flows.

Credit risk

The Company's principal financial assets are bank balances and cash and trade and other receivables. The Company's credit risk is primarily attributable to its receivables. The amounts presented in the Balance Sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Company has no significant concentration of credit risk.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of intra-group and short-term debt finance.

Dividends

The directors propose dividends of £25,800,000 for the year ended 31 December 2017 (9 months ended 31 December 2016: £53,149,000).

Directors and directors' indemnity

The directors of the Company during the year and, except where noted, up to the date of signing these financial statements were:

J A Corcoran
J W Stevenson

None of the Directors who held office at the end of the financial period had an interest in the equity of the Company or of any other Group company.

Certain directors benefit from qualifying third party indemnity provisions in place during the financial period and at the date of this report. The Company provided qualifying third party indemnity provisions to certain directors of associated companies during the financial period and at the date of this report.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approval of reduced disclosures

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12.

The Company also intends to take advantage of these exemptions in the financial statements to be issued in the following year.

Approved by the Board and signed on its behalf by:

J W Stevenson
Director

28 September 2018

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31/12/2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Global Switch Estates 2 Limited (the 'company') which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

K Darlison

Kate Darlison (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
28 September 2018

Global Switch Estates 2 Limited

Profit and loss account
for the year ended 31 December 2017

	Notes	12 months ended Dec 2017 £'000	9 months ended Dec 2016 £'000
Turnover		88,836	64,665
Cost of sales		(23,504)	(18,584)
Gross profit		**65,332**	**46,081**
Administrative expenses		(1,034)	(174)
Operating profit	2	**64,298**	**45,907**
Gains arising on revaluation of investment property	5	24,911	17,642
Net finance charges	3	(37,634)	(29,227)
Profit before taxation		**51,575**	**34,322**
Tax (charge) /credit on profit	4	(7,081)	6,456
Profit for the financial period		**44,494**	**40,778**

All amounts relate to continuing activities.

Statement of Comprehensive Income	12 months ended Dec 2017 £'000	9 months ended Dec 2016 £'000
Profit for the period	44,494	40,778
Total comprehensive income attributable to equity shareholders of the company	**44,494**	**40,778**

The notes on pages 11 to 22 form part of these financial statements.

Global Switch Estates 2 Limited

Balance sheet

at 31 December 2017

Company number 04729738	Notes	Dec 2017 £'000	Dec 2016 £'000
Fixed assets			
Investment property	5	1,124,445	1,098,167
		1,124,445	**1,098,167**
Current assets			
Debtors	6	310,408	236,815
Cash at bank and in hand		7,917	9,966
		318,325	**246,781**
Creditors: amounts falling due within one year	7	(226,620)	(183,865)
Net current assets		**91,705**	**62,916**
Total assets less current liabilities		**1,216,150**	**1,161,083**
Creditors: amounts falling due after more than one year	7	(566,179)	(529,028)
Provisions for liabilities	8	(164,138)	(164,916)
Net assets		**485,833**	**467,139**
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account		485,833	467,139
Shareholders' funds		**485,833**	**467,139**

The financial statements were approved by the Board of Directors and authorised for on issue 28 September 2018 and signed on their behalf by:

J W Stevenson
Director

The notes on pages 11 to 22 form part of these financial statements.

Global Switch Estates 2 Limited

Statement of changes in equity
at 31 December 2017

	Share Capital	Profit and loss account	Total
	£'000	£'000	£'000
At 31 March 2016	-	**479,510**	**479,510**
Profit for the period	-	40,778	40,778
Total comprehensive income	-	**40,778**	**40,778**
Dividends	-	(53,149)	(53,149)
At 31 December 2016	-	**467,139**	**467,139**
Profit for the period	-	44,494	44,494
Total comprehensive income	-	**44,494**	**44,494**
Dividends	-	(25,800)	(25,800)
At 31 December 2017	-	**485,833**	**485,833**

1. Notes to accounts

General information

Global Switch Estates 2 Limited (the "Company") was incorporated on 10 April 2003 and is domiciled in the England and Wales, United Kingdom under the Companies Act 2006. The Company's registered number is 04729738. The address of its registered office is 4th Floor, Millbank Tower, 21-24 Millbank, London SW1P 4QP. The nature of the operations and principal activity is set out on page 1.

Accounting policies

The accounting policies are summarised below. They have been applied consistently throughout this period and the preceding period.

Basis of preparation

The functional currency of Global Switch Estates 2 Limited is pounds sterling because that currency of the primary location of operations and where primarily the revenues and expenses are earned and incurred. The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent, Global Switch Holdings Limited. The London Stock Exchange is notified when the Consolidated accounts are lodged and a copy can be obtained from the National Storage Mechanism. Exemptions have been taken in these separate Company financial statements in relation to presentation of a cash flow statement disclosures regarding financial instruments, remuneration of key management personnel and related party disclosures.

Accounting period

These financial statements are prepared for the year ended 31 December 2017, the comparative period presented is the nine months ended 31 December 2016.

Going concern

The directors have reviewed the current and projected financial position of the Company, making reasonable assumptions about the future trading performance. The parent company has confirmed its continued financial support to ensure that the Company continues to meet its obligations as they fall due. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

1. Notes to accounts (Continued)

Tangible fixed assets and depreciation

Tangible fixed assets are initially measured and included in the balance sheet at cost. This is based on the historical accounting rules which require fixed assets to be shown at their purchase price less any provision for depreciation.

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives. It is calculated at the following rates:

Plant and machinery	-	10 to 20 years
Fixtures, fittings and equipment	-	4 to 5 years

Investment property

Investment properties are stated at fair value, being the market rate as determined by independent professionally qualified valuers.

Changes in fair value are recognised in the Profit and Loss Statement. In accordance with FRS 102, no depreciation is provided in respect of Investment Properties which are carried at fair value.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss previously recognised for assets other than goodwill, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU (Cash Generating Unit), the reversal is applied first to the assets of the CGU, except for goodwill, on a pro-rata basis. Impairment of goodwill is never reversed.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

1. Notes to accounts (Continued)

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

I. Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

1. Notes to accounts (Continued)

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one period are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled; b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

ii. Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Taxation and deferred taxation

The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Provision is made for deferred tax on all timing differences that have originated but not reversed at the balance sheet date, where an event has occurred that results in an obligation to pay more or less tax in the future, except that deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profit from which future reversal of the relevant timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1. Notes to accounts (Continued)

Turnover

Rental and service fee income from investment properties
Revenue is contracted under service contracts that specify a total charge for the provision of rental or service fees and central services. The income is treated as arising under an operating lease as provided under FRS102 "Leases and hire purchase contracts".

All net income under such service contracts is recognised on a straight-line basis over the periods of the respective contracts. Lease incentives and any fixed indexation are amortised over the lease term or the period to the lease end date, whichever is the shortest.

Electricity revenue is recognised in the period in which the electricity was drawn by the customer and included in rental income from investment properties.

Provision of additional services

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

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

All of the turnover derives from operations in the United Kingdom.

Employees

The Company did not have any employees in the current or prior period.

Related party transactions

The Company is a wholly-owned indirect subsidiary of Global Switch Holdings Limited and is included in the consolidated financial statements of that company.

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

The Company has taken advantage of the exemption from related party disclosures in accordance with Paragraph 33.1A of Financial Reporting Standard No. 102.

Critical accounting estimates and judgements

In the application of the Group's accounting policies, which are described in Note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The following are the critical estimates and judgements 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 financial statements.

1. Notes to accounts (Continued)

Estimate of fair value of investment properties

Investment properties are the largest component of the Company's net asset value. The value of the investment properties is affected by the conditions prevailing in the property investment market and the general economic environment. Accordingly, the Group's net asset value can change due to external factors beyond management's control. The Group determines the value of investment properties using discounted cash flow valuation techniques performed by external professionally qualified valuers. Information about the valuation techniques and inputs used in determining the value of investment properties is disclosed in Note 5.

Deferred Taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computations of taxable profit and is accounted for using the balance sheet liability method. In accordance with FRS 102, a deferred tax liability has been provided in respect of increased property values. Deferred tax liabilities are recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statements. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available in the future for them to be utilised. Deferred tax is determined using tax rates and laws that have been enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

2) Operating profit

This is stated after charging:

	12 months ended Dec 2017 £'000	9 months ended Dec 2016 £'000
Auditor's remuneration – audit of the financial statements	20	20
Operational charge (cost of sales)	23,484	18,510

Directors' remuneration

	12 months ended Dec 2017 £'000	9 months ended Dec 2016 £'000
Wages and salaries	185	139
Pension costs: defined contribution scheme	16	12
	201	151

2) Operating profit (continued)

Highest paid director:

	12 months ended Dec 2017 £'000	9 months ended Dec 2016 £'000
Wages and salaries	185	139
Pension costs: defined contribution scheme	16	12
	201	151

The directors disclosed in the table above are employed by Global Switch Limited. The emoluments disclosed above are as recharged to and in respect to their service to this Company. The remainder of the costs are borne by and disclosed in the Financial Statements of Global Switch Limited.

One director was accruing benefits under defined contribution pension schemes (31 Dec 2016: one).

3) Net finance charges

	12 months Ended Dec 2017 £'000	9 months ended Dec 2016 £'000
Interest payable to fellow subsidiary undertakings	37,634	29,227

4) Taxation on profit on ordinary activities

	12 months Ended Dec 2017 £'000	9 months ended Dec 2016 £'000
a) Analysis of tax charge/(credit) in the period		
Current tax		
UK corporation tax at Dec 2017 19.25% (Dec 2016:20%)	5,587	1,110
Deferred tax		
Origination and reversal of timing differences	2,916	1,823
Change in rate	-	(9,376)
Prior period adjustment	(1,422)	(13)
Tax *charge/(credit)* on profit on ordinary activities	7,081	(6,456)

b) Factors affecting the current tax credit on profit on ordinary activities

The differences between the tax assessed for the period and the standard rate of corporation tax in the UK are explained below:

	12 months Ended Dec 2017 £'000	9 months ended Dec 2016 £'000
Profit on ordinary activities before taxation	51,575	34,332
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.25% (31 December 2016: 20%)	9,928	6,866
Effects of:		
Cap on interest deduction	3,800	-
Capital allowance indexation	(2,390)	(1,433)
Non-assessable income and permanent differences	-	(967)
Group relief	(2,452)	(1,533)
Changes in tax rate	(383)	(9,376)
Movement in respect to prior years	(1,422)	(13)
Total tax *charge/(credit)* for the period	7,081	(6,456)

c) Factors that may affect future tax charges

The effective UK tax rate on 1 April 2016 was 20% with further reductions to 17% by 2020 substantively enacted in UK legislation at the year end. This change in tax rate impacts the deferred tax and is reflected in the reduction in tax rate above.

5) Investment property

	Dec 2016 £'000	Mar 2016 £'000
Market Valuation		
At beginning of period	1,098,168	1,079,698
Additions	1,366	827
Revaluation	24,911	17,642
At end of period	**1,124,445**	**1,098,167**

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

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

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

The historical cost of the investment properties at 31 December 2017 was £572,111,000 (31 December 2016 is £570,744,000).

No contingent rents have been recognised as income in the current or prior period.

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

	Dec 2016 £'000	Mar 2016 £'000
Investment property	1,124,445	1,098,167
Accrued income (included in debtors)	22,375	24,433
Total valuation	**1,146,820**	**1,122,600**

As at 31 December 2017, the company had £1,381,000 of capital commitments in relation to expenditure on Investment Properties (31 December 2016 : £nil).

6) Debtors

Amounts falling due within one year	Dec 2017 £'000	Dec 2016 £'000
Trade debtors	14,501	12,034
Amounts due from group companies	269,517	194,712
Prepayments and accrued income	26,390	30,069
	310,408	**236,815**

Amounts due from group companies include amounts owed by Global Switch Limited and Global Switch Estates 1 Limited. These amounts are non-interest bearing and repayable on demand.

The Directors consider the carrying amount of the debtors to be approximates of their fair value.

7) Creditors

Amounts falling due within one year	Dec 2017 £'000	Dec 2016 £'000
Trade creditors	30	66
Amounts due to fellow subsidiary undertakings	201,664	157,527
Taxation and social security	5,539	4,545
Other creditors	3,018	2,950
Accruals and deferred income	16,369	18,777
	226,620	**183,865**

Creditors (continued)

Amounts falling due after more than one year	Dec 2017 £'000	Dec 2016 £'000
Amounts due to fellow subsidiary undertakings	566,179	529,028
	566,179	**529,028**

Amounts due to fellow subsidiary undertakings included amounts owed to ICT Centre Holding B.V and Global Switch Limited. Amounts due to ICT Centre Holding B.V are charged interest at 7% + LIBOR and other balances are non-interest bearing. At 31 December 2017, these amounts are not repayable within twelve months and therefore, are classified as non-current.

8) Provisions for liabilities

	Total deferred tax £'000	Other provisions £'000	Total provisions £'000
At 31 December 2016	162,644	2,272	164,916
Charged to the profit and loss	1,494	(2,272)	(778)
At 31 December 2017	164,138	-	164,138

Deferred tax is provided as follows:

	Dec 2017 £'000	Dec 2016 £'000
Accelerated capital allowances	28,943	29,573
Valuation surpluses on Investment properties	135,195	133,071
Provision for deferred tax	164,138	162,644

9) Share capital

	Allotted, called up and fully paid			
	Dec 2017 Number	Dec 2016 Number	Dec 2017 £	Dec 2016 £
Ordinary shares of £1	1	1	1	1

10) Operating leases

Operating leases where the Company acts as lessor

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

	Dec 2017	Dec 2016
	£'000	£'000
Less than one year	60,185	57,566
In the second to fifth year inclusive	158,491	138,604
After more than five year	56,563	34,382
	275,239	230,552

All leases include rent uplift provisions and are re-negotiated at the end of the contracted lease term.

11) Ultimate and immediate holding company

The immediate holding company is Global Switch Limited, a company registered in England and Wales.

The largest and smallest group in which the results of the Company are consolidated is the Global Switch Holdings Limited.

As at 31 December 2017, Global Switch Holdings Limited was jointly controlled by Aldersgate Investments Limited and Elegant Jubilee Limited, both of which are incorporated and domiciled in the British Virgin Islands. The ultimate parent company of Aldersgate Investments Limited is Landal Worldwide Corp, a company incorporated and domiciled in the British Virgin Islands. The ultimate parent company of Elegant Jubilee Limited is Suzhou Qingfeng Investment Management Co Ltd, a company registered in the People's Republic of China.

12) Contingent Liabilities

The Company does not have any contingent liabilities as at the date of this report or for the comparative periods.

13) Subsequent Events

On 3 July 2018, Strategic IDC Limited acquired a 24.99% stake in Global Switch Holdings Limited from Aldersgate Investments Limited. Following the transaction, existing investors, Aldersgate Investments Limited and Elegant Jubilee Limited, own 24.01% and 51% of the Global Switch Holdings Limited respectively and Strategic IDC Limited owns 24.99%. Aldersgate Investments Limited, Elegant Jubilee Limited and Strategic IDC Limited will continue to jointly control the company together with under the governance of the existing Shareholders' Agreement.