

Global Switch Estates 2 Limited

Annual Report and Financial Statements

Year Ended 31 December 2023

Company Number 04729738



Global Switch Estates 2 Limited
Annual Report and financial statements
for the year ended 31 December 2023

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Directors

A M Eaton
J A Corcoran (resigned 1 January 2024)
A T Muldoon (appointed 23 January 2024)

Registered office

Nova North, Level 2, 11 Bressenden Place, London, SW1E 5BY, United Kingdom

Company number

04729738

Auditor

Deloitte LLP,
Statutory Auditor
London
United Kingdom

Global Switch Estates 2 Limited

Strategic Report

for the year ended 31 December 2023

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

The directors present their annual report on the affairs of Global Switch Estates 2 Limited ("the Company"), together with the audited financial statements and auditor's report, for the year ended 31 December 2023.

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 12 and shows the result for the year. The Company made a loss of £176,850,000 for the year ended 31 December 2023 (2022: loss for the year of £55,453,000). The most significant factor in the decrease in loss for the year is due to a larger revaluation loss on investment property of £208,080,000 (2022: revaluation loss of £56,509,000). This is partially offset by the increase in tax credit on profit of £50,520,000 (2022: tax credit of £12,878,000).

The net assets of the Company have decreased to £31,443,000 (2022: £208,293,000) as a result of the loss for the year.

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 before other losses indicate the volume of sales and its profitability. Investment property valuation indicates the value of the property.

	Dec 2023 £'000	Dec 2022 £'000
Turnover	81,844	80,692
Operating profit before other losses	41,186	39,002
Investment property valuation	819,950	1,026,360

Turnover has increased slightly year on year, most significantly from the provision of power to customers. This is due to the increase in the average input price of power. Other factors impacting this include the increase in annual cross connect charges.

Operating profit before other losses of £41,186,000 (2022: £39,002,000) is gross profit of £41,834,000 (2022: £39,427,000) less administrative expenses of £648,000 (2022: £425,000). The key driver behind the increase in operating profit before other gains is the increase in annual cross connects fees.

The Company's data centre and associated land have been independently valued at £819,950,000 as at 31 December 2023 (2022: £1,026,360,000) by CBRE Limited. This represents a decrease £206,410,000 or 20.1% revaluation loss on investment property, which is partially offset by capital expenditure. The increase in the revaluation loss in the current year of £208,080,000 (2022: loss of £56,509,000) is due to unfavourable macro-economic factors reflected in the valuation assumptions, increase in capital expenditure required to redevelop the space handed back and the declining level of occupancy rates.

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. Management monitors the property market and the performance of the assets and cost of utilities against budget. Fluctuations in foreign exchange are also kept under review. The latest cooling technologies are used to maximise energy efficiency and remain competitive in the market.

Global Switch Estates 2 Limited
Strategic Report (continued)
for the year ended 31 December 2023

Future developments

The business is stable and the Company has maintained a medium level of occupancy to the end of December 2023. 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 significant amount of customer pipeline over the medium term.

On 8 June 2022 the Group publicly confirmed that its shareholders were exploring a potential divestment transaction. Investment banks were appointed by the shareholders as their financial advisors and a formal process commenced to explore options to introduce international investors to create liquidity for shareholders' stakes. In relation to the potential liquidity transaction, the Group entered into an indemnity letter in 2022 with several of the appointed financial advisors, together with a back-to-back indemnity arrangement with its direct shareholders. For the year ended 31 December 2023, there was no financial impact for the Group. The future financial impact, if any, cannot practicably be estimated due to the nature of the contingencies associated with such an indemnity. For information on the Group's direct shareholders, see note 14.

Section 172 (1) statement: Companies Act 2006

Section 172 (1) of the Companies Act 2006 requires that a director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, during 2023 we have regard (amongst other matters) to:

(a) the likely consequences of any decision in the long-term

Members of the Board meet regularly to discuss and make decisions on matters of strategic importance to the business, to promote the long-term success of the Company and to consider the likely long-term impact of any such decisions. The nature of the Company's service agreements, which are typically medium to long-term, provide particular focus in this respect.

(b) the interests of the Company's employees

The Company does not have any employees.

(c) the need to foster the Company's business relationships with suppliers, customers and others

The Company has strong and well established long-term relationships with its suppliers and customers, many of whom have used our services for many years.

(d) the impact of the Company's operations on the community and the environment

As a wider group, Global Switch is committed to reducing the impact of its data centres on the environment through designing and developing or redeveloping lower PUE data centres, using energy efficiently, reducing its carbon emissions and providing green energy solutions to its customers. We are also actively involved in our communities, with our engagement initiatives centred on promoting a healthier lifestyle.

(e) the desirability of the Company maintaining a reputation for high standards of business conduct

As a wider group, Global Switch upholds high standards of conduct and integrity as set out in its Code of Business Conduct, and maintains strict health and safety, supply chain management, labour and product responsibility standards.

(f) the need to act fairly between members of the Company

The Company has a single member, Global Switch Limited.

Global Switch Estates 2 Limited
Strategic Report (continued)
for the year ended 31 December 2023

Subsidiary of a larger group

The Company is an indirect subsidiary of Global Switch Holdings Limited, which prepares group accounts, further details of which can be found in Note 1 to the financial statements.

Approved by the Board and signed on its behalf by:

DocuSigned by:

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A M Eaton
Director
14 June 2024

Global Switch Estates 2 Limited
Directors' Report
for the year ended 31 December 2023

The Company's principal activities, 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, we 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 and cash and debtors. The Company's credit risk is primarily attributable to its debtors. The amounts presented in the Balance Sheet are net of allowances for doubtful debtors. 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 funding and cash generated from operating activities.

Dividends

The Company paid dividends of £nil for the year ended 31 December 2023 (2022: £nil).

Directors and directors' indemnity

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

A M Eaton

J A Corcoran (resigned 1 January 2024)

A T Muldoon (appointed 23 January 2024)

None of the directors who held office at the end of the financial period or subsequently had any interests in the equity of the Company or of any other Group company.

The directors benefit from qualifying third party indemnity provisions in place during the financial period and at the date of this report.

Global Switch Estates 2 Limited

Directors' Report (continued)
for the year ended 31 December 2023

Auditor

Each of the directors 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.

Post balance sheet events

At the date of this report, the Company is not aware of any other events that would affect (or require disclosure in) the financial statements for the year ended 31 December 2023.

Energy and carbon reporting

We have reported on all sources of GHG emissions and energy usage as required under *The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008* as amended.

GHG emissions and energy usage data for the year ended 31 December 2023 in tCO₂e

		2023	2022
Scope 1			
Gas oil used for standby generation	32,050 litres (2022 – 34,700 litres)	84.9	92.3
Refrigerant gas emission to the environment	182 kg (2022 – 503 kg)	335.2	1,006.8
		420.1	1,099.1
Scope 2			
Electricity used by (and to support) owned and operated equipment – location based	113,913,947 kWh (2022 – 133,768,925 kWh)	23,588.6	25,868.2
Electricity used by (and to support) owned and operated equipment – market based			
		23,588.6	25,868.2
Total GHG Emissions			
Total GHG Emissions – location based		23,588.6	25,868.2
Total GHG Emissions – market based		420.1	1,099.1
		24,008.7	26,967.3

Global Switch Estates 2 Limited
Directors' Report (continued)
for the year ended 31 December 2023

Total GHG Emissions (Scope 1 + 2) and Carbon Intensity: Carbon Emission Intensity (Scope 1&2) – 293tCO₂e/£m of annual turnover (2022 – 334tCO₂e/£m).

Global Switch purchases 100% renewable power.

The Company does not own vehicles or pay for fuel use for any privately owned vehicles.

Global Switch, as a data centre owner and operator cannot direct or determine how its customers choose to use electricity within their contracted power (included within Scope 2 above) and therefore, in addition to purchasing 100% renewable power, focuses its attention on the energy efficiency of the centralised data centre infrastructure operated by the Company. This enables Global Switch to generate a reduction in ancillary power against utilised customer power, thus improving energy efficiency. This strategy is also incorporated into the Climate Change Agreement (CCA) operated by the Company.

We have followed the *2019 UK Government environmental reporting guidance*. We have used the *GHG Protocol Corporate Accounting and Reporting Standard (revised edition)* and emission factors from the *UK Government's GHG Conversion Factors for Company Reporting 2019* to calculate the above disclosures.

Approved by the Board and signed on its behalf by:

DocuSigned by:

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A M Eaton
Director
14 June 2024

Global Switch Estates 2 Limited

Directors' Responsibilities Statement for the year ended 31 December 2023

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 year. 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.

Global Switch Estates 2 Limited
Independent auditor's report to the members of Global Switch Estates 2 Limited
for the year ended 31 December 2023

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Global Switch Estates 2 Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at December 31, 2023 and of its loss 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 which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- 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 Financial Reporting Council's (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

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

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 company's ability to continue as a going concern for a period of at least twelve months from when the 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.

Other information

The other information comprises the information included in the annual report, other than the 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 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.

Global Switch Estates 2 Limited
Independent auditor's report to the members of Global Switch Estates 2 Limited (Continued)
for the year ended 31 December 2023

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 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 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.

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

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.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included health and safety regulations, power supply regulations, modern slavery act, data protection laws and environment laws.

Global Switch Estates 2 Limited
Independent auditor's report to the members of Global Switch Estates 2 Limited (Continued)
for the year ended 31 December 2023

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- The valuation of investment properties is a significant risk due to its magnitude in the context of the financial statements and the potential fraud risk associated with the exercise of judgement required in making estimates, specifically discount rates, exit yields, forecast rental income assumptions (following renewal, filling vacant space or assumed cash flows following the completion of a development). We obtained an understanding of the company's relevant controls in respect of the valuation and held discussions with the external valuers, assessing their objectivity, competence and capability. Together with our real estate valuation specialists, we evaluated the valuation methodology applied and assessed the reliability and accuracy of the software used by the external valuer. Our evaluation included challenge of the uncertainty surrounding future cash flows as well as the other key assumptions, with reference to market benchmarks.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and correspondence with HMRC.

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 the directors' report.

Global Switch Estates 2 Limited

Independent auditor's report to the members of Global Switch Estates 2 Limited (Continued) for the year ended 31 December 2023

Matters on which we are required to report by exception

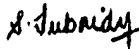
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

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.



Sara Tubridy, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

14 June 2024

Global Switch Estates 2 Limited
Profit and loss account and statement of comprehensive income
for the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
Turnover	2	81,844	80,692
Cost of sales		(40,010)	(41,265)
Gross profit		41,834	39,427
Administrative expenses		(648)	(425)
Operating profit before other losses		41,186	39,002
Loss arising on revaluation of investment property	3	(208,080)	(56,509)
Exceptional items		-	117
Operating loss		(166,894)	(17,390)
Interest payable and similar expenses	5	(60,476)	(50,941)
Loss before taxation	3	(227,370)	(68,331)
Tax on loss	6	50,520	12,878
Loss for the financial year		(176,850)	(55,453)
All amounts relate to continuing activities.			
Statement of Comprehensive Income		2023	2022
		£'000	£'000
Loss for the year		(176,850)	(55,453)
Total comprehensive loss attributable to equity shareholders of the Company		(176,850)	(55,453)

The notes on pages 15 to 27 form part of these financial statements.

Global Switch Estates 2 Limited

Balance sheet
as at 31 December 2023

<i>Company number 04729738</i>	Notes	2023 £'000	2022 £'000
Fixed assets			
Tangible assets		41	-
Investment property	7	815,412	1,020,128
		<u>815,453</u>	<u>1,020,128</u>
Current assets			
Inventory		186	170
Debtors	8	91,314	97,530
Cash at bank and in hand		17,542	18,568
		<u>109,042</u>	<u>116,268</u>
Creditors: amounts falling due within one year	9	(34,248)	(31,379)
		<u>74,794</u>	<u>84,889</u>
Net current assets		<u>74,794</u>	<u>84,889</u>
Total assets less current liabilities		<u>890,247</u>	<u>1,105,017</u>
Other debtors: amounts due after more than one year	8	40	193
Creditors: amounts falling due after more than one year	9	(693,344)	(680,897)
Deferred tax	10	(165,500)	(216,020)
		<u>31,443</u>	<u>208,293</u>
Net assets		<u>31,443</u>	<u>208,293</u>
Capital and reserves			
Called-up share capital	11	-	-
Profit and loss account		31,443	208,293
		<u>31,443</u>	<u>208,293</u>
Shareholders' funds		<u>31,443</u>	<u>208,293</u>

The financial statements were approved by the Board of Directors and authorised for on issue 14 June 2024 and signed on their behalf by:

DocuSigned by:

Adam Eaton

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A M Eaton
Director

The notes on pages 15 to 27 form part of these financial statements.

Global Switch Estates 2 Limited**Statement of changes in equity
for the year ended 31 December 2023**

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2022	-	263,746	263,746
Loss for the year	-	(55,453)	(55,453)
Total comprehensive loss	-	(55,453)	(55,453)
At 31 December 2022	-	208,293	208,293
Loss for the year	-	(176,850)	(176,850)
Total comprehensive loss	-	(176,850)	(176,850)
At 31 December 2023	-	31,443	31,443

Global Switch Estates 2 Limited

Notes to the financial statements for the year ended 31 December 2023

1) General information and accounting policies

General information

Global Switch Estates 2 Limited (the "Company") is a private limited company, limited by shares, 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 Nova North, Level 2, 11 Bressenden Place, London, SW1E 5BY. The nature of the operations and principal activity is set out in the Strategic Report on page 1.

Accounting policies

The accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

Basis of preparation

The functional currency of the Company is pounds sterling because that is the 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 indirect parent, Global Switch Holdings Limited. Pursuant to the obligations included in GSHL's unsecured note issuances, the consolidated financial statements of GSHL are lodged with, and a copy can be obtained from, Euronext Dublin. Exemptions have been taken in these separate Company financial statements in relation to presentation of a cash flow statement, remuneration of key management personnel, related party disclosures and disclosures regarding financial instruments.

Accounting period

These financial statements are prepared for the year ended 31 December 2023. The comparative period presented is the year ended 31 December 2022.

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.

Global Switch Estates 2 Limited
Notes to the financial statements (Continued)
for the year ended 31 December 2023

1) General information and accounting policies (Continued)

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 account. 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.

Financial assets:

For financial assets carried at amortised cost, the amount of an 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.

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.

Global Switch Estates 2 Limited
Notes to the financial statements (Continued)
for the year ended 31 December 2023

1) General information and accounting policies (Continued)

All financial assets and liabilities are initially measured at transaction price (including 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 conditions of being 'basic' financial instruments as defined in FRS 102.11.9 are subsequently measured at amortised cost using the effective interest method.

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.

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.

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, 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.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. Deferred tax is measured on an undiscounted basis.

Global Switch Estates 2 Limited
Notes to the financial statements (Continued)
for the year ended 31 December 2023

1) General information and accounting policies (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 first break date, whichever is the shortest.

Power

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

Provision of additional services

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

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

Employees

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

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. The address of Global Switch Holdings Limited's registered office is 2nd Floor, O'Neal Marketing Associates Building, PO Box 3174, Road Town, Tortola, British Virgin Islands.

The Company has taken advantage of the exemption from related party disclosures in accordance with Paragraph 33.1A of FRS 102.

Critical accounting estimates and judgements

In the application of the accounting policies, which are described above, 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 that the Directors have made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in financial statements. Apart from those involving estimates, there are no further instances in which judgments made in applying accounting policies have a significant effect on the amounts recognised in the financial statements.

Global Switch Estates 2 Limited
Notes to the financial statements (Continued)
for the year ended 31 December 2023

1) General information and accounting policies (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 Company'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 Company determines the value of investment properties using discounted cash flow valuation techniques performed by external professionally qualified valuers.

Investment properties, which are freehold, are stated at market value as at 31 December 2023, valued by professionally qualified external valuers. The Company'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. CBRE use a variety of valuation techniques (valuation metrics) which include yield methodology, IRR and market value analysis including comparable recent market transactions on arm's length terms. In doing so, they consider assumptions, data and key sources of estimation uncertainty including forecasts for customer renewals, void periods, capital expenditure, operational expenditure and other relevant cash flow assumptions. There have been no significant changes in the valuation techniques used by CBRE in 2023 in comparison to previous years.

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

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. Deferred tax is measured on an undiscounted basis.

Global Switch Estates 2 Limited
Notes to the financial statements (Continued)
for the year ended 31 December 2023

2) Turnover

The Company's turnover arises from the following major service lines:

	2023	2022
	£'000	£'000
Rental and service fee income from investment properties	45,444	47,298
Provision of power	29,759	28,538
Provision of additional services	6,641	4,856
	<u>81,844</u>	<u>80,692</u>

3) Profit/(loss) before taxation

This is stated after charging:

	2023	2022
	£'000	£'000
Auditor's remuneration – audit of the financial statements	174	192
Loss arising on revaluation of investment property	208,080	56,509
	<u>208,254</u>	<u>56,701</u>

The amount paid for non-audit service fees is £nil (2022: £nil)

4) Directors' remuneration

	2023	2022
	£'000	£'000
Wages and salaries	204	149
Pension	17	15
	<u>221</u>	<u>164</u>

Global Switch Estates 2 Limited
Notes to the financial statements (Continued)
for the year ended 31 December 2023

4) Directors' remuneration (continued)

Highest paid director:

	2023 £'000	2022 £'000
Wages and salaries	204	149
Pension	17	15
	<u>221</u>	<u>164</u>

The directors 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.

The director accrued benefits under defined contribution pension schemes is £nil (2022: £nil).

5) Interest payable and similar expenses

	2023 £'000	2022 £'000
Interest payable to fellow subsidiary undertakings	60,428	51,054
Foreign exchange (gain)/loss	48	(113)
	<u>60,476</u>	<u>50,941</u>

6) Taxation on profit/(loss)

	2023 £'000	2022 £'000
<i>a) Analysis of tax charge in the year</i>		
<i>Current tax</i>		
UK corporation tax at 31 December 2023 23.5% (2022: 19%)	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	(50,520)	(12,878)
	<u>(50,520)</u>	<u>(12,878)</u>
Total taxation on profit/(loss)	<u>(50,520)</u>	<u>(12,878)</u>

Global Switch Estates 2 Limited
Notes to the financial statements (Continued)
for the year ended 31 December 2023

6) Taxation on loss (continued)

b) Factors affecting the tax charge for the year

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

	2023	2022
	£'000	£'000
Loss before taxation	(227,370)	(68,331)
Loss at the standard rate of UK corporation tax of 23.5% (2021: 19%)	(53,432)	(12,983)
Effects of:		
Cap on interest deduction	(6,437)	(13,422)
Expenses not deductible	(21)	(68)
Group relief	12,401	16,686
Changes in tax rate	(3,031)	(3,091)
Total tax credit for the year	(50,520)	(12,878)

Global Switch Estates 2 Limited
Notes to the financial statements (Continued)
for the year ended 31 December 2023

7) Investment property

	2023	2022
	£'000	£'000
<i>Carrying amount</i>		
At beginning of year	1,028,128	1,075,229
Additions	3,364	1,408
Revaluation	(208,080)	(56,509)
	<hr/>	<hr/>
At end of year	815,412	1,020,128
	<hr/>	<hr/>

The historical cost of the investment properties at 31 December 2023 was £596,985,000 (31 December 2022: £593,621,000).

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

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.

	2023	2022
	£'000	£'000
Investment property carrying amount	815,412	1,020,128
Accrued income (included in debtors)	4,538	6,232
	<hr/>	<hr/>
Total valuation	819,950	1,026,360
	<hr/>	<hr/>

As at 31 December 2023, the Company had £3,597,344 of capital commitments in relation to expenditure on investment properties (2022: £626,764).

Global Switch Estates 2 Limited
Notes to the financial statements (Continued)
for the year ended 31 December 2023

8) Debtors

<i>Amounts falling due within one-year</i>	2023	2022
	£'000	£'000
Trade debtors	3,640	3,930
Amounts due from group companies	80,523	79,739
Prepayments and accrued income	5,998	12,390
Other debtors	1,153	1,471
	<u>91,314</u>	<u>97,530</u>
 <i>Amounts falling due after more than one-year</i>	 2023	 2022
	£'000	£'000
Other debtors	40	193
	<u>40</u>	<u>193</u>

Amounts due from group companies include amounts owed by the Company's immediate parent entity, Global Switch Limited and Global Switch Estates 1 Limited (a fellow subsidiary of Global Switch Limited). These amounts are non-interest bearing and repayable on demand and unsecured.

The directors consider the carrying amount of the debtors to approximate their fair value.

9) Creditors

<i>Amounts falling due within one-year</i>	2023	2022
	£'000	£'000
Trade creditors	2,430	3,471
Amounts due to group companies	379	379
Taxation and social security	13,992	13,625
Other creditors	2,707	2,825
Accruals	6,225	5,427
Deferred income	8,515	5,652
	<u>34,248</u>	<u>31,379</u>

Amounts due to group companies falling due within one year included amounts owed to Global Switch Amsterdam B.V. and Global Switch (Property) Singapore Pte Ltd. They are unsecured and repayable on demand.

Global Switch Estates 2 Limited
Notes to the financial statements (Continued)
for the year ended 31 December 2023

9) Creditors (continued)

<i>Amounts falling due after more than one-year</i>	2023	2022
	£'000	£'000
Amounts due to immediate parent company	693,344	680,897
	<u>693,344</u>	<u>680,897</u>

Amounts due to the immediate parent company and falling due after more than one year included amounts owed to Global Switch Limited. They are interest bearing and charged interest at 7% + SONIA. At 31 December 2023, these amounts are not repayable within twelve months and are unsecured and therefore, are classified as due in more than one year. The maturity date of these amounts is March 2028.

10) Deferred tax

The Company has a deferred tax liability as at 31 December 2023. There are no unutilised trading tax losses as at 31 December 2023.

	Deferred tax
	£'000
At 1 January 2023	216,020
Credited to the profit and loss	(50,520)
At 31 December 2023	<u>165,500</u>

Deferred tax is provided as follows:

	2023	2022
	£'000	£'000
Accelerated capital allowances	49,707	48,209
Valuation surpluses on Investment properties	115,793	167,811
Provision for deferred tax	<u>165,500</u>	<u>216,020</u>

Global Switch Estates 2 Limited
Notes to the financial statements (Continued)
for the year ended 31 December 2023

11) Called-up share capital

	Allotted, called up and fully paid			
	2023 Number	2022 Number	2023 £	2022 £
Ordinary shares of £1	1	1	1	1

12) Operating leases

Operating leases where the Company acts as lessor

The total undiscounted future lease payments receivable under customer contracts accounted for as property operating leases are as follows:

	2023 £'000	2022 £'000
Less than one year	36,527	38,218
In the second to fifth year inclusive	44,986	49,586
After more than five years	5,043	8,932
	86,556	96,736

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

Global Switch Estates 2 Limited
Notes to the financial statements (Continued)
for the year ended 31 December 2023

12) Ultimate and immediate holding company

The company is a wholly-owned subsidiary of Global Switch Limited, incorporated in England and Wales. The intermediate holding company is Global Switch Holdings Limited, incorporated in British Virgin Islands.

The parent undertaking of the largest group, which includes the company and for which group accounts are prepared, is Jiangsu Shagang Group Co., Ltd (registered office: Jinfeng Town, Zhangjiagang City, Jiangsu Province, 215600 China). The parent undertaking of the smallest such group is Global Switch Holdings Limited (registered office: 2nd Floor, O'Neal Marketing Associates Building, PO Box 3174, Road Town, Tortola, British Virgin Islands). Copies of the group financial statements of Jiangsu Shagang Group Co., Ltd are available from the official website of Shanghai Clearing House. Copies of the group financial statements of Global Switch Holdings Limited are available from Euronext Dublin.

As at 31 December 2023 (and as at 31 December 2022), Elegant Jubilee Limited, Strategic IDC Limited and Tough Expert Limited directly owned 51%, 24.99% and 24.01% of Global Switch Holdings Limited 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 subsequent share purchases, resulted in an aggregate indirect equity stake in the Company of 51.8%. Accordingly, 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.

13) Contingent liabilities

In the ordinary course of business, the company is engaged in certain actual, threatened, or potential commercial, tax and legal disputes. In the legal disputes where the Company is the actual or potential claimant to the disputes, the exposure is generally limited to the legal and associated costs. Where the Company is the actual or potential defendant, the Company considers the probability that the claim would be successful and recognise a provision where appropriate. The Company is confident of its commercial, tax and legal positions. Save as include within provisions, the Company does not currently believe 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 Company.

As at 31 December 2023, the Company has a contingent liability in relation to open tax enquires totalling to £11,900,000. No provision is recorded because an economic outflow is not considered probable. Due to the preliminary nature and timing of the enquires from the tax authority, there is uncertainty as to whether they might challenge aspects of the company's historic positions. Additionally, there is uncertainty over the application of tax law and the company would vigorously defend its historic positions, creating significant uncertainty as to the timing of any resolution of these preliminary enquiries. It is not therefore practicable to assess the timing or quantum of any possible further outflows.