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# Global Switch Estates 2 Limited

Annual Report and Financial Statements

Year Ended 31 December 2021

Company Number 04729738

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# Global Switch Estates 2 Limited

**Annual Report and financial statements**
**for the year ended 31 December 2021**

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**Directors**

A M Eaton
J A Corcoran
J W Stevenson

**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

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# Global Switch Estates 2 Limited

**Strategic Report**
**for the year ended 31 December 2021**

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 2021.

**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 11 and shows the result for the year. The Company made a loss of £66,102,000 for the year ended 31 December 2021 (2020: loss for the year of £74,259,000). The decrease in the loss in the year is mainly due to the increased tax on gain/loss of £66,514,000 (2020: tax on loss of £14,551,000) and offset by a lower revaluation loss on investment property of £2,530,000 (2020: revaluation loss of £70,827,000)

The net assets of the Company have decreased 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 2021 £'000 | Dec 2020 £'000 |
|---|---|---|
| Turnover | 80,126 | 80,691 |
| Operating profit before other losses | 45,496 | 49,024 |
| Investment property valuation | 1,085,280 | 1,085,122 |

Turnover has slightly decreased due to certain service agreements that expired during the year which were not renewed. We have taken this opportunity to hold the space back for redevelopment in order to maximise the returns in the future.

Operating profit before other losses of £45,496,000 (2020: £49,024,000) is gross profit of £45,962,000 (2020: £49,503,000) less administrative expenses of £466,000 (2020: £479,000). The key driver behind the decrease in operating profit before other losses is the increase in cost of sales.

The increase in the market value of the data centre by £158,000 reflects the change in the valuation of the investment property driven by the current year valuation loss of £2,530,000 (2020: loss £70,827,000), partially offset by capital expenditure. The decrease in value reflects the latest outlook on comparable recent market transactions on arm's length terms and the increase in capital expenditure required to redevelop the space handed back as mentioned above.

**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.

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**Future developments**

The business is stable and the Company has maintained a high level of occupancy to the end of December 2021. 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 headed by Global Switch Holdings Limited ("the Group") and Company confirmed that its shareholders are exploring a potential divestment transaction. There is no certainty that any transaction will proceed. In the meantime, the Company will continue to execute its business plan and further implement its growth strategy, with no changes to the strategic direction, leadership or financial and operational policies

**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 2021 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.

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**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:
Adam Eaton
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A M Eaton
**Director**
29 November 2022

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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 2021 (2020: £31,000,000).

**Business relationships**
We have summarised the company's business relationships within the Section 172 (1) statement in the Strategic Report. Please refer for further detail.

**Directors and directors' indemnity**

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

J A Corcoran
A M Eaton (appointed 22 February 2022)
J W Stevenson (resigned 5 January 2022)

None of the Directors who held office at the end of the financial period or subsequently had an interest 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.

**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**

Subsequent to 31 December 2021, a customer appointed a third-party administrator regarding the customer's affairs. The customer's most recent annual report and financial statements cite the effects of the COVID-19 pandemic as central to the deterioration in their financial health. The administration in 2022 is an adjusting subsequent event because it reflects conditions that existed as at 31 December 2021. Trade debtors have been substantially impaired. The Company is in the process of contracting directly with the end customers of the company that has appointed administrators.

**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 2021 in tCO2e*

| | | 2021 | 2020 |
|---|---|---|---|
| **Scope 1** | | | |
| Gas oil used for standby generation | 85,740 litres (2020 – 21,275 litres) | 220.0 | 58.7 |
| Refrigerant gas leakage to the environment | 464 kg (2020 – 1,398 kg) | 712.2 | 294.0 |
| | | **932.2** | **352.7** |
| **Scope 2** | | | |
| Electricity used by (and to support) customer owned and operated equipment – location based | 152,783,517 kWh (2020 – 166,737,492 kWh) | 32,339.6 | 38,873.2 |
| Electricity used by (and to support) customer owned and operated equipment – market based | | - | - |
| | | **32,339.6** | **38,873.2** |
| **Total GHG Emissions** | | | |
| Total GHG Emissions – location based | | 32,339.6 | 38,873.2 |
| Total GHG Emissions – market based | | 932.2 | 352.7 |
| | | **33,271.8** | **39,225.9** |

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Total GHG Emissions (Scope 1 + 2) and Carbon Intensity: Carbon Emission Intensity (Scope 1&2) – 415tCO2e/£m of annual turnover (2020 – 486tCO2e/£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.

During 2022, we are taking a number of steps to improve energy efficiency. These include:

- Reduction of seldom used generators, modules and DRUPs.
- Some floor areas are being redeveloped using new more efficient technology, including Fan Wall cooling technology (replacing old style Down Flow Units (DFU)), Local Static Ups and Generators (rather than DRUPS).

**Approved by the Board and signed on its behalf by:**

DocuSigned by:
Adam Eaton
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A M Eaton
**Director**
29 November 2022

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**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.

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# Global Switch Estates 2 Limited

**Independent auditor's report to the members of Global Switch Estates 2 Limited**
**for the year ended 31 December 2021**

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**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 31 December 2021 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 profit and loss account and statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 16.

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.

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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 and internal audit 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, data protection laws and environment laws.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations and 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:

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- 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. We have confirmed with specialist that the input assumptions are appropriate in addition to performing procedures on the key assumptions adopted in the valuation, including the discount rates, exit yields, rental income assumptions and capital expenditure forecasts and the completeness of new and/or modified leases, signed in the year, within the base information schedules.

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 audit 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 reviewing internal audit reports.

**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.

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**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.

Kate Darlison

Kate Darlison, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
29 November 2022

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# Global Switch Estates 2 Limited

**Profit and loss account and statement of comprehensive income**
**for the year ended 31 December 2021**

| | Notes | 2021 £'000 | 2020 £'000 |
|---|---|---|---|
| **Turnover** | 2 | 80,126 | 80,691 |
| Cost of sales | | (34,164) | (31,188) |
| **Gross profit** | | **45,962** | **49,503** |
| Administrative expenses | | (466) | (479) |
| **Operating profit before other losses** | | **45,496** | **49,024** |
| Loss arising on revaluation of investment property | 3 | (2,530) | (70,827) |
| Exceptional items | 4 | (7,403) | - |
| **Operating profit/(loss)** | | **35,563** | **(21,803)** |
| Interest payable and similar expenses | 6 | (35,151) | (37,905) |
| **Profit/(loss) before taxation** | 3 | **412** | **(59,708)** |
| Tax on profit/(loss) | 7 | (66,514) | (14,551) |
| **Loss for the financial year** | | **(66,102)** | **(74,259)** |

All amounts relate to continuing activities.

**Statement of Comprehensive Income**

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Loss for the year | (66,102) | (74,259) |
| Total comprehensive loss attributable to equity shareholders of the Company | **(66,102)** | **(74,259)** |

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

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# Global Switch Estates 2 Limited

**Balance sheet**
**as at 31 December 2021**

***Company number 04729738***

| | Notes | 2021 £'000 | 2020 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | | 18 | - |
| Investment property | 8 | 1,075,229 | 1,071,853 |
| | | **1,075,247** | **1,071,853** |
| **Current assets** | | | |
| Inventory | | 610 | 714 |
| Debtors | 9 | 58,638 | 83,455 |
| Cash at bank and in hand | | 10,103 | 12,556 |
| | | **69,351** | **96,725** |
| **Creditors:** amounts falling due within one year | 10 | (41,912) | (36,026) |
| **Net current assets** | | **27,439** | **60,699** |
| **Total current assets less current liabilities** | | **1,102,686** | **1,132,552** |
| **Other debtors:** amounts due after more than one year | 9 | 347 | 500 |
| **Creditors:** amounts falling due after more than one year | 10 | (599,931) | (618,803) |
| **Deferred tax** | 11 | (228,898) | (173,943) |
| **Net assets** | | **274,204** | **340,306** |
| **Capital and reserves** | | | |
| Called-up share capital | 13 | - | - |
| Profit and loss account | | 274,204 | 340,306 |
| **Shareholders' funds** | | **274,204** | **340,306** |

The financial statements were approved by the Board of Directors and authorised for on issue 29 November 2022 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.

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# Global Switch Estates 2 Limited

**Statement of changes in equity**
**for the year ended 31 December 2021**

| | Notes | Called-up share capital £'000 | Profit and loss account £'000 | Total £'000 |
|---|---|---|---|---|
| **At 1 January 2020** | | - | **445,565** | **445,565** |
| Loss for the year | | - | (74,259) | (74,259) |
| **Total comprehensive expense** | | - | **(74,259)** | (74,259) |
| Dividends | 12 | - | (31,000) | (31,000) |
| **At 31 December 2020** | | - | **340,306** | **340,306** |
| Loss for the year | | - | (66,102) | (66,102) |
| **Total comprehensive expense** | | - | **(66,102)** | **(66,102)** |
| **At 31 December 2021** | | - | **274,204** | **274,204** |

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## 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 2021. The comparative period presented is the year ended 31 December 2020.

*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.

In making the above conclusion, the wider Global Switch group has stress tested the financial forecast, which considered among other factors the potential impact of Covid-19 on the business. Based on our experience throughout 2021 and 2022 to date, the Company has remained resilient to the impact of Covid-19 and the Company does not currently consider it a material matter in making the going concern assessment. The nature of the operations and their importance to our customers' businesses, together with the nature and credit-worthiness of our customer base have resulted in a significantly reduced impact for Global Switch compared to many other businesses or industries. The majority of the Company's revenue is derived from companies with investment grade parent or controlling entities or government departments and agencies that benefit from a sovereign risk profile. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

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**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.

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**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 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.

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**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*
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 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 recognise in the financial statements.

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**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 2021, 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 2021 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.

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## 2) Turnover

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

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Rental and service fee income from investment properties | 47,714 | 54,370 |
| Provision of power | 25,056 | 21,373 |
| Provision of additional services | 7,356 | 4,948 |
| | 80,126 | 80,691 |

## 3) Profit/(loss) before taxation

This is stated after charging:

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Auditor's remuneration – audit of the financial statements | 171 | 118 |
| Loss arising on revaluation of investment property | 2,530 | 70,827 |

## 4) Exceptional items

The Company has incurred costs resulting from the ongoing COVID-19 pandemic. This includes costs associated with the appointment of administrators by a customer, SunGard Availability Services UK Limited (Sungard), whose financial position has deteriorated as a result of the pandemic. SunGard suffered substantial losses in its disaster recovery business and entered administration in March 2022, resulting in £7.4 million of impairment charges being recognised within our 2021 results. SunGard's US parent company has since announced that it is entering Chapter 11 proceedings in the US for similar COVID-19 related reasons. Global Switch has actively engaged with the Administrator and with affected SunGard customers to ensure continuity of service. Reflecting the mission critical nature of the services we provide to our customers, we are pleased to say that a majority of SunGard's affected customers have entered into direct relationships with Global Switch on terms no less advantageous to Global Switch than the terms it had with SunGard.

## 5) Directors' remuneration

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Wages and salaries | 300 | 279 |
| | 300 | 279 |

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## 5) Directors' remuneration (continued)

*Highest paid director:*

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Wages and salaries | 300 | 279 |
| | 300 | 279 |

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.

Neither director accrued benefits under defined contribution pension schemes (2020: none).

## 6) Interest payable and similar expenses

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Interest payable to fellow subsidiary undertakings | 35,077 | 38,020 |
| Foreign exchange loss/(gain) | 74 | (115) |
| | 35,151 | 37,905 |

## 7) Taxation on profit/(loss)

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| *a) Analysis of tax charge in the year* | | |
| *Current tax* | | |
| UK corporation tax at 31 December 2021 19% (2020: 19%) | 11,559 | 6,965 |
| *Deferred tax* | | |
| Origination and reversal of timing differences | 54,955 | 7,586 |
| Total taxation on profit/(loss) | 66,514 | 14,551 |

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**7) 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:

| | 2021<br>£'000 | 2020<br>£'000 |
|---|---|---|
| Profit/(loss) before taxation | 413 | (59,708) |
| Profit/(loss) at the standard rate of UK corporation tax of 19% (2020: 19%) | 78 | (11,345) |
| Effects of: | | |
| Cap on interest deduction | - | 6,003 |
| Changes in tax rate | 54,936 | 19,893 |
| Charges in respect to prior years | 11,500 | - |
| Total tax charge for the year | 66,514 | 14,551 |

In the 31 December 2021 financial year, the Company has incurred a tax charge in respect to prior periods totalling to £11,500,000. This arises from changes in management's estimate of prior period liabilities and ongoing tax authority challenges.

*c) Factors that may affect future tax charges*

The tax calculations take into consideration future changes substantively enacted in jurisdictions when determining the appropriate level of deferred tax to be provided on future reversals. In March 2021 the UK Government enacted a change cancelling the previously legislated reduction in the UK corporation tax rate from 19% to 17%. For 2021, current tax is reflected at 19%.

The deferred tax calculation for 31 December 2021 reflects a UK tax rate of 25% (31 December 2020: 19%) being the rates enacted at the reporting date and the rate at which the deferred tax is expected to crystallise. This had the one-off effect of increasing the deferred taxation charge for the period by £54,936,000 in 2021.

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## 8) Investment property

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| *Carrying amount* | | |
| At beginning of year | 1,071,853 | 1,138,111 |
| Additions | 7,106 | 4,569 |
| Disposals | (1,200) | - |
| Revaluation | (2,530) | (70,827) |
| At end of year | 1,075,229 | 1,071,853 |

The historical cost of the investment properties at 31 December 2021 was £592,213,000 (31 December 2020: £585,107,000).

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.

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Investment property carrying amount | 1,075,229 | 1,071,853 |
| Accrued income (included in debtors) | 10,051 | 13,269 |
| Total valuation | **1,085,280** | **1,085,122** |

As at 31 December 2021, the Company had £750,845 of capital commitments in relation to expenditure on investment properties (2020: £1,584,888).

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## 9) Debtors

| *Amounts falling due within one year* | **2021 £'000** | **2020 £'000** |
|---|---|---|
| Trade debtors | 10,400 | 26,294 |
| Amounts due from group companies | 25,653 | 38,621 |
| Prepayments and accrued income | 20,772 | 15,877 |
| Other debtors | 1,813 | 2,663 |
| | **58,638** | **83,455** |

| *Amounts falling due after more than one year* | **2021 £'000** | **2020 £'000** |
|---|---|---|
| Other debtors | 347 | 500 |
| | **347** | **500** |

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 and unsecured.

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

## 10) Creditors

| *Amounts falling due within one year* | **2021 £'000** | **2020 £'000** |
|---|---|---|
| Trade creditors | 4,677 | 6,097 |
| Amounts due to fellow subsidiary undertakings | 379 | 379 |
| Taxation and social security | 16,686 | 8,768 |
| Other creditors | 1,504 | 2,510 |
| Accruals | 5,943 | 4,109 |
| Deferred income | 12,723 | 14,163 |
| | **41,912** | **36,026** |

Amounts due to fellow subsidiary undertakings 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

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**10) Creditors (continued)**

| *Amounts falling due after more than one year* | **2021 £'000** | **2020 £'000** |
|---|---|---|
| Amounts due to fellow subsidiary undertakings | 599,931 | 618,803 |
| | **599,931** | **618,803** |

Amounts due to fellow subsidiary undertakings and falling due after more than one year included amounts owed to Global Switch Limited. They are interest bearing and charged interest at 7% + LIBOR. At 31 December 2021, 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 November 2023. There are no amounts falling due after more than 5 years.

The directors consider the carrying amount of the creditors to be approximates of their fair value.

**11) Deferred tax**

The Company has a deferred tax liability as at 31 December 2021. There are no unutilised trading tax losses as at 31 December 2021.

| | **Deferred tax £'000** |
|---|---|
| At 1 January 2021 | 173,943 |
| Charged to the profit and loss | 54,955 |
| **At 31 December 2021** | **228,898** |

Deferred tax is provided as follows:

| | **2021 £'000** | **2020 £'000** |
|---|---|---|
| Accelerated capital allowances | 181,929 | 34,968 |
| Valuation surpluses on Investment properties | 46,969 | 138,975 |
| **Provision for deferred tax** | **228,898** | **173,943** |

**12) Dividends**

| | **2021 £'000** | **2020 £'000** |
|---|---|---|
| **Amounts recognised as distributions to equity holders in the period:** | | |
| Dividends paid | - | 31,000 |
| | - | **31,000** |

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### 13) Called-up share capital

| | Allotted, called up and fully paid | | | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **Number** | Number | **£** | £ |
| Ordinary shares of £1 | **1** | 1 | **1** | 1 |

### 14) 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:

| | **2021** | **2020** |
|---|---|---|
| | **£'000** | **£'000** |
| Less than one year | 45,137 | 42,534 |
| In the second to fifth year inclusive | 94,500 | 97,512 |
| After more than five years | 14,407 | 12,248 |
| | **154,044** | **152,294** |

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

The undiscounted lease payments at 31 December 2021 also include a total of £41.0 million in relation to a customer, which appointed administrators in 2022 (see note 4). The Company has contracted directly with end customers in order to ensure that these undiscounted commitments are realised in line with the maturities.

### 15) 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 2021 (and as at 31 December 2020), Elegant Jubilee Limited, Strategic IDC Limited and Tough Expert Limited directly owned 51%, 24.99% and 24.01% of 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").

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

**16) 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 dispute, the exposure is generally limited to 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 included 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 2021, the Company has a contingent liability in relation to open tax enquiries. No provision is recorded because an economic outflow is not considered probable. Due to the preliminary nature and timing of enquiries from the tax authorities, 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 future outflows.