

Registration number: 03672650

Equinix (UK) Limited

Annual report and financial statements

For the financial year ended 31 December 2021

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Equinix (UK) Limited

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Equinix (UK) Limited

Company Information

Directors

Russell Poole
Eugenius Bergen Henegouwen
René Maria Smit

Registered number

03672650

Registered office

Masters House
107 Hammersmith Road
London
W14 0QH

**Independent
auditor**

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
40 Clarendon Road
Watford
WD17 1JJ

Equinix (UK) Limited

Strategic Report

For the year ended 31 December 2021

The directors present their strategic report on Equinix (UK) Limited ("the Company") for the year ended 31 December 2021.

Principal activities

The Company designs and operates network neutral datacentres in the United Kingdom. The Company's principal business is to provide network-neutral datacentre and interconnection services, offering premium collocation, traffic exchange and managed IT infrastructure solutions. Global enterprises, financial companies, content providers, cloud and IT services companies, and network service providers look to Equinix datacentres for world-class reliability and network diversity. Equinix datacentres serve as critical, core hubs for IP networks and internet operations worldwide.

Business review

The Company measures its financial performance by reference to third party turnover and gross profit margin.

The revenue of the Company increased in 2021 to £444,374 thousands (2020 - £415,896 thousands), the increase in revenue is due mainly to increased capacity which has enabled us to attract new customers and also from inflationary increases in our pricing structure. Gross profit margin is 13% (2020 - 17%) due to termination of business transition compensation fee in 2021.

The Company's profit for the financial year decreased and amounted to £17,578 thousands (2020 - £32,819 thousands). The decrease is driven by higher costs of income tax and lower gross margin.

In prior years, Equinix, Inc. entered into a joint venture in the form of a limited liability partnership with GIC Private Limited, Singapore's sovereign wealth fund ("GIC") (the "Joint Venture"), to develop and operate xScale™ data centers in Europe to serve the needs of the growing hyperscale data center market, including the world's largest cloud service providers. xScale™ data centers are engineered to meet the technical and operational requirements and price points of core hyperscale workload deployments and also offer access to Equinix's comprehensive suite of interconnection and edge services. As part of the transaction the Company entered into a leasing agreement with the joint venture for collocation space at the LD13 site. The lease term is 15 years.

The Company's results are in line with the expectations for the business.

The results for the year and the financial position of the Company are shown in the financial statements and notes on pages 18 to 52.

Business environment

The UK datacentre market is well established and dominated by a number of key players including the Company. The market is predominantly centred around the South East with the majority of major datacentres located on the periphery of London.

The market continues to show strong growth, driven by increasing internet traffic, rises in requirements for power and cooling, the expansion of computing requirements of the financial services industry, the emergence of Cloud Computing and Software as a Service, despite the high capital costs associated with building and maintaining in-sourced datacentres.

The competitive landscape remains aggressive but the Company's positioning, based on the quality of its service and the value to its customers of being present in an Equinix International Business Exchange (IBX), has allowed pricing to be maintained at the high end of the current market range.

Equinix (UK) Limited

Strategic Report

For the year ended 31 December 2021

Strategy

The Company's intention is to expand its leadership position as a premier, network neutral datacentre operator for cloud and IT services providers, content providers, financial companies, enterprise and network services providers.

The Company operates 'Platform Equinix', a concept that describes the business optimisation customers can achieve by being present in Equinix IBX datacentres, ranging from resilience through to interconnection, global reach, access to multiple low-latency networks and the opportunity to participate in financial services and networks ecosystems.

In addition, the Company has expanded its go-to-market strategy by focusing on the key vertical markets of Financial Services, Networks, Content & Digital Media, Enterprise and Cloud & IT services, developing specific value propositions for each market.

Future outlook

The Company will continue to look for attractive opportunities to grow its market share and improve its service offerings. The Company believes that the market for its services continues to provide the strong growth prospects that will enable it to maintain and improve its current performance.

Financial risks

Financial risks facing the Company are monitored through a process of regular assessment by the Company's management team.

The risks the Company has considered relate to pricing, datacentre running costs and bad debt.

Liquidity risk can be adequately managed, as the business is highly cash generative, by cash flow forecasting to ensure sufficient cash balances are maintained, particularly at times when the Company is investing heavily in new capital infrastructure.

The Company assessed the credit risk on amounts owed by group undertakings as low due to the settlement of balances on a monthly basis and the historical experience of low level write offs. Credit risks are concluded to be limited. There is no increased credit risk to the point where that it is considered credit impaired.

The Company is exposed to interest rate fluctuations on its variable rate long term borrowing. The Company aims to obtain funding to meet its business needs at competitive rates of interest. Borrowings are managed centrally by the Group Treasury function.

Equinix (UK) Limited

Strategic Report

For the year ended 31 December 2021

Principal risks and uncertainties

Operating risks facing the Company are monitored through a process of regular assessment by the Company's management. Principal risks include:

Failure of physical infrastructure: The Company's business depends on providing customers with a highly reliable service. The Company must protect its customers' infrastructure and equipment located in its IBX datacentres. The services the Company provides in each of its datacentres are subject to failure resulting from numerous factors, including: human error; equipment failure; physical, electronic and cyber security breaches; natural disasters; extreme temperatures; water damage; fibre cuts; power loss; sabotage; or terrorist acts. Problems at one or more of the Company's datacentres could result in service interruptions or significant equipment damage.

Prolonged power outages: The Company's business could be harmed by prolonged electrical power outages or shortages. The Company attempts to limit exposure to system downtime by using backup generators and power supplies. However, the Company is not able to eliminate its exposure entirely even with these protections in place.

Security breaches: The Company is vulnerable to security breaches which could disrupt its operations and have a material adverse effect on its financial performance and operating results. A party who is able to compromise the security measures on the Company's networks or the security of the Company's infrastructure could misappropriate personal or proprietary information of its customers, or cause interruptions or malfunctions in the Company's operations or its customers' operations. As the Company provides assurances to its customers that it provides the highest level of security, such a compromise could be particularly harmful to the Company's brand and reputation. The Company will be required to expend significant capital and resources to protect against such threats or to alleviate problems caused by breaches in security.

Environmental regulations: These may impose new or unexpected costs. The Company is subject to environmental and health and safety regulations, including those relating to the generation, storage, handling and disposal of hazardous waste. The Company's operations involve the use of hazardous substances, such as petroleum fuel for emergency generators, as well as batteries. To the extent that any hazardous substances or any other substance or material must be cleaned up, the Company may be responsible under applicable regulations, the cost of which could be substantial. The Company maintains extremely high standards of health and safety compliance throughout the organisation.

Products and services have long sales cycles: A customer's decision to license cabinet space in one of the Company's IBX datacentres and to purchase additional services typically involves a significant commitment of resources. In addition, some customers will be reluctant to commit to locating in the Company's IBX datacentres until they are confident that the IBX datacentre has adequate carrier connections. As a result the Company has a long sales cycle. Furthermore, the Company may expend significant time and resources in pursuing a particular sale or customer that does not result in revenue. It takes time for new sales hires to become fully productive, so any loss of sales staff is a risk to the business.

Global economic uncertainty could adversely impact the Company's business. Economic uncertainty in the USA or Europe, resulting in a downturn, could result in churn in the Company's customer base, reductions of sales of its products and services, longer sales cycles, slower adoption of new technologies and increased price competition. The Company's forecasts and projections have taken into account recent power and pricing developments.

Equinix (UK) Limited

Strategic Report

For the year ended 31 December 2021

Principal risks and uncertainties (continued)

Power Supply: The potential impact from energy supplies availability have been assessed and proper mitigating actions have been identified to prevent in the short term any major disruption to our operations. Energy price increases are also already embedded into our budget and are partly hedged, and communication has started towards the customers, according to current estimates. In addition we established a task force to identify options for primary energy reduction.

Statement by the Directors in relation to Performance of their Statutory Duties in accordance with Section 172(1) Companies Act 2006 (Section 172)

The directors of the Company considered that they have acted in good faith and would be most likely to promote the success of the Company for the benefits of its members as a whole having regards to stakeholders and matters set out in Section 172 in the decisions taken during the year ended 31 December 2021.

The ultimate parent undertaking and controlling party is Equinix, Inc. a company incorporated in the United States of America. Equinix, Inc. is the ultimate parent undertaking of the largest and smallest group in which the results of the Company are consolidated. As part of a global group the Company is combining the global knowledge with the local expertise.

When making decisions, each director ensures that they are acting in the way that is considered, in good faith and would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

Long term decision making (The likely consequences of any decision in the long term)

The Company designs and operates network neutral data centres in the United Kingdom. The objective of the Company is to allow the customers to increase information and application delivery performance for users, and quickly deploy distributed IT infrastructures and access business and digital ecosystems, all while significantly reducing costs. The quality of our IBX data centers, interconnection offerings and edge services have enabled the Company to establish a critical mass of customers. As more customers choose Platform Equinix, for bandwidth cost and performance reasons it benefits their suppliers and business partners to collocate in the same data centers and connect directly with each other.

The directors understand the business and the environment in which the Company operates, including the specific challenges in the UK. At the same time as being part of a global group, the decision making is a process that is discussed and taken in compliance with the global controls and internal procedures that are in place in order to prevent errors and fraud.

The directors recognise that the Company works from a global perspective and decisions that are impacting in the long term are taken in accordance with the term plan designed to have a beneficial impact on the Company as a whole and to contribute to its success and satisfaction of the stakeholders.

Employees interests (The interests of the Company's employees)

The directors recognise the employees as fundamental and core to the business in order to deliver high quality services. The success of the Company depends on creating a culture that will attract, retain and motivate employees.

Further details related to the employees engagement are presented in section Stakeholder engagement (including employees engagement) below.

Equinix (UK) Limited

Strategic Report

For the year ended 31 December 2021

Statement by the Directors in relation to Performance of their Statutory Duties in accordance with Section 172(1) Companies Act 2006 (Section 172) (continued)

Company's business relationships with suppliers, customers and other stakeholders

The directors recognise that delivering companies strategy requires strong mutual beneficial relationships with all the stakeholders.

The Company is a wholly owned subsidiary that benefits from the global presence of the ultimate parent, Equinix, Inc. It creates the advantage that ensures priorities of suppliers and customers are continuously analysed by specialised departments in the business.

Further details related to the Company's business relationships with suppliers, customers and other stakeholders are presented in section Statement by the Directors in relation to Performance of their Statutory Duties in relation to Stakeholder engagement and employee engagement below.

Moreover, the directors receive information updates on a variety of topics that indicate and inform how these stakeholders have been engaged. The directors are more involved in maintaining close relationships with the clients in the UK environment.

The impact of the Company's operations on the community and the environment

Directors are interested in the Company constantly looking to be in compliance with the laws and environmental regulation. The Company's approach is to use its position of strength in order to create positive impact for people and communities using green energy and working on energy efficient data centers.

The purchases of significant amounts of energy from generating facilities and utility companies that are subject to environmental laws, regulations and permit requirements has driven the Company to explore and procure more energy from renewable energy projects in order to support new renewable development.

The desirability of the Company maintaining a reputation for high standards of business conduct

The directors are committed to the highest standards of business and professional conduct. The ethics and compliance office is working with the directors, management and employees to promote compliance with the annual approved Equinix Code of Business Conduct and all applicable laws and regulations.

The Ethics and Compliance team and directors responsible for several programs focused on training and compliance in areas like: code of business conduct, ethics and compliance helpline and anti-bribery and corruption.

This information is incorporated by reference to the Equinix proxy statement for the 2021 Annual Meeting of Stockholders and is also available on our website, www.equinix.com.

Acting fairly between members of the Company

The group together with the Directors together with specialised departments consider which course of action best in order to delivery of our strategy through the long-term, taking into consideration the impact on stakeholders. In doing so, our directors act fairly as the Company's members.

Equinix (UK) Limited

Strategic Report

For the year ended 31 December 2021

Statement by the Directors in relation to Performance of their Statutory Duties in relation to Stakeholder engagement and employee engagement

As presented in Section 172 the directors recognise that delivering the Company's strategy requires strong mutual beneficial relationship with all the stakeholders.

The global presence of the Group creates the advantage for the Company that suppliers and customers needs are continuously analysed by specialised departments in the business. The directors take actions through surveys and communication with the employees and specific departments in order to be aware of the relationships with the stakeholders and act if needed. The board also engaged with certain stakeholders directly, to understand their views.

Employees: During the year the directors engagement with employees is usually through quarterly surveys, training and quarterly meetings. The involvement and commitment of the directors ensures that the Company remains a responsible employer from salaries and benefits to safety in workplace environment. During the quarterly meetings the employees can ask questions and get updates about the business and future plans.

Suppliers: During the year, information on suppliers and their performance can be accessed at any time by the directors of the Company through Power BI reporting. Information about any suppliers can be found in detail in the reporting board. Also the Source to Pay Transformation Program (S2P) established a new global procurement operating model that streamline the procurement processes; defined new operating norms in supply management and related finance processes; roll-out a global end to end S2P platform and and establish a Center of Expertise to support the business users including the directors.

Customers: The Company operates 'Platform Equinix', a concept that describes the business optimisation customers can achieve by being present in Equinix IBX datacentres, ranging from resilience through to interconnection, global reach, access to multiple low-latency networks and the opportunity to participate in financial services and networks ecosystems. Using this platform and their expertise the directors engage with customer and customers questions.

Community and Environment: The Company is committed to giving back to the communities in which it operates. During the year, there were various charity events and the Company contributes on matching the donations. Also in relation to the environment, active steps are taken by the Company in order to decrease the carbon print.

Regulators: During the year there is a specialised team that is monitoring the changes in laws and regulations. All changes and new laws and regulations are being communicated to the directors and active steps are taken to make sure that the Company is compliant.

Investors: The Company is a wholly owned subsidiary of Equinix, Inc. The group is listed on the NASDAQ. Information for the investors is available on the website www.equinix.com, investors section. The UK market is an important part of the business for the group.

Equinix (UK) Limited

Strategic Report
For the year ended 31 December 2021

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

Russell Poole

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Russell Poole
Director

Date: 30.09.2022

Equinix (UK) Limited

Directors' Report

For the year ended 31 December 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Statement of Directors' responsibilities in respect of the financial statements

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

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 to enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- they have taken all the steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Results and dividends

The profit for the financial year amounted to £17,578 thousands (2020 - £32,819 thousands).

The directors do not propose the payment of a dividend in respect of 2021 (2020 - £nil).

The financial risk management considerations are disclosed in the strategic report.

Equinix (UK) Limited

Directors' Report

For the year ended 31 December 2021

Directors of the company

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

Russell Poole

Eugenius Bergen Henegouwen

René Maria Smit (appointed 1 November 2021)

Future developments

A review of the business and likely future developments is contained in the strategic report.

Going concern

On 31 December 2021, the Company is in a net current liabilities position of £12,661 thousands (2020: net current assets of £11,169 thousands) and net assets position of £301,005 thousands (2020: £283,164 thousands).

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current cash reserves and borrowings.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The ultimate parent company has also provided a letter of support to ensure they will not request the repayment of the loans in the next 12 months from the date of the authorisation of the financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Employee involvement

The Company has been constantly active in developing arrangements aimed at involving its employees in the entity's affairs by constant communication of the management decisions and the financial situation of the Company, regular surveys and consultation with the employees on the views taken in account when taking decisions, encouragement of employees participation in the Company's performance by employee share scheme.

All the applicants for employment will be given a full and fair consideration to make to the Company, training, career promotion and continuing employment.

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. The Company, through its ultimate parent, Equinix, Inc., operates a number of share option plans namely, Employee Share Purchase Plan (ESPP) and Restricted Stock Units (RSU). Some employees are entitled to a grant of options or other share awards once they commence employment.

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible be identical to that of other employees.

Equinix (UK) Limited

Directors' Report

For the year ended 31 December 2021

Modern Slavery Act

Equinix's ethics and values are core to our people and culture and how we conduct our business in the United Kingdom. Equinix is opposed to modern slavery or human trafficking in all its forms and we expect the same opposition from all who work for us and we demand it from anyone with whom we have business dealings. Our ethics and values are clearly embodied in our Code of Business Conduct, and, as directors, we have taken steps to ensure we have processes in place to ensure that all of our employees agree to comply with our Code of Business Conduct, and all employees undergo on-going training and are asked to certify such compliance. These same ethics and values are impugned to our suppliers and vendors through a series of measures, including our Business Partner Code of Conduct.

With regard to the major suppliers and vendors, global and local, to our business, the directors have taken steps to ensure we have employees focused on procurement activities who carry out proper due diligence and implement appropriate vendor selection criteria that include due regard to the ethical standards and corporate values which are consistent with the principles embodied in the Modern Slavery Act 2015. The directors have overseen that we have implemented contractual provisions into our standard terms and conditions of purchase and supplemental contracts for the supply of goods and services that require such suppliers and vendors to comply with the requirements of the Modern Slavery Act 2015, including our right to request evidence of compliance with such requirements at any time upon reasonable notice.

Equinix is committed to continuing to improve its procurement policies, processes and practices in order to play its part towards the goal of eradicating any form of modern slavery and human trafficking in global supply chains around the world.

Carbon emission

In compliance with the new requirements implemented for large unquoted companies per The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, Equinix (UK) Limited has calculated the UK energy use, associated underlying greenhouse gas (GHG) emissions, intensity ratio and information relating to energy efficiency action, for the period 01 January to 31 December 2021.

Energy and GHG emissions profile

- Total UK energy use: 574,598,181 kWh (2020: 500,064,649 kWh)
- Associated underlying GHG emissions:
 - Scope 1: 933 tCO₂e (2020: 780 tCO₂e)
 - Scope 2 location based: 121,123 tCO₂e (2020: 115,743 tCO₂e)
 - Scope 3 from transport fuel reimbursed: 4 tCO₂e (2020: 38 tCO₂e)
- Emissions intensity metric (Scope 1, Scope 2 location based, Scope 3 from transport fuel reimbursed): 275 tCO₂e/Million GBP (2020: 280 tCO₂e/Million GBP)
- Emissions intensity metric (Scope 1, Scope 2 market based, Scope 3 from transport fuel reimbursed): 0 tCO₂e/Million GBP (2020: 2 tCO₂e/Million GBP)

Equinix (UK) Limited

Directors' Report

For the year ended 31 December 2021

Carbon emission (continued)

Equinix (UK) Limited's SECR reporting information was calculated using the 'GHG Protocol Corporate Accounting and Reporting Standard', produced by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD), and includes energy use and emissions associated with the use of natural gas and gas oil (Scope 1), electricity (Scope 2 location based and market based) and transport fuel reimbursed (Scope 3 from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel). Equinix's organisational reporting boundary is based on operational control. HMRC 2021 mileage rates have been used to determine distances travelled from data mileage claims relating to business travel in rental cars or employee-owned vehicles. UK Government Department for Environment, Food and Rural Affairs (DEFRA) published emissions factors and conversion factors - 'GHG conversion factors for company reporting 2021' - have been applied to Equinix energy data figures to calculate associated GHG emissions.

Energy efficiency efforts

Equinix seeks to continually improve the Power Unit Efficiency (PUE) of IBX data centres. PUE is a measure of how efficiently we are powering our customers IT equipment and help track power usage trends in an individual facility over time, measures and spotlights the effects of different design and operational decisions. The closer to "1" that the PUE value is, the more efficient the building is in delivering its services. In 2020 the UK Power Unit Efficiency (PUE) value was 1.49, 2021 value is 1.42. As part of its science-based target, Equinix is aiming to reduce its Scope 1 and 2 emissions (direct and indirect from electricity) by 50% by 2030 against a 2019 baseline. This will be achieved by continuing to optimise the operation of Equinix's plant, increased customer load and energy efficiency project investment. In addition, all of Equinix's UK data centres are certified against ISO 50001:2018 standards, ESOS and CCA which set requirements for managing energy use and improving energy efficiency. All sites in the UK use electricity procured from 100% renewable sources.

COVID-19

The COVID-19 pandemic has not had a material impact on the Company's financial performance and cashflows until the date of approval of these financial statements. The Company has taken a number of health and safety measures to monitor and reduce the effects of the COVID-19 pandemic on staff, including working from home and social distancing.

Post balance sheet events

Ukraine-Russia War

Equinix stands with the people of Ukraine and fully condemns the actions by the Russian government. We are committed to supporting the sanctions intended for a peaceful resolution while working to do our part in maintaining the global digital infrastructure that supports free and open communication, aids in humanitarian relief and limits unintended consequences to countries and citizens impacted by this conflict.

Equinix (UK) Limited

Directors' Report

For the year ended 31 December 2021

Post balance sheet events (continued)

Ukraine-Russia War (continued)

Aligned with and subject to these objectives, our actions and commitments are:

- While we do not have operations in Russia, we will not make direct or indirect investment in the country until this conflict ends and a government is in place that recognises and honours the rights of other sovereign nations.
- We will not allow Russian customers to place orders for products or services, unless in our review of those orders, they align with the objectives stated above.
- We have suspended all activities and purchasing with and through Russian partners and suppliers.

Whilst we do not have any employees or facilities in Ukraine itself, this is a development that has broader significance in the region. Equinix is continuing to monitor the situation carefully. The safety of our people, vendors and customers remains our primary consideration. For our IBXs, we have substantial contingency plans in place to protect our infrastructure and our global platform of networks and systems, as well as built-in resiliency and redundancy to minimise potential disruptions including back-up energy systems and remote access.

Qualifying third party indemnity provisions

Equinix, Inc. purchased directors' and officers' liability insurance for all directors and maintained such insurance throughout the year and at the date of approval of the financial statements. Equinix, Inc. has entered into qualifying third party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

Statement by the Directors in relation to Performance of their Statutory Duties in accordance with Section 172(1) Companies Act 2006

The Section 172 statement, stakeholders engagement and employee engagement have been discussed in the strategic report.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board on 30 September 2022 and signed on its behalf by:

Russell Poole

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Russell Poole
Director

Date: 30.09.2022

Independent auditors' report to the members of Equinix (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Equinix (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2021; the Income Statement and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Independent auditors' report to the members of Equinix (UK) Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Independent auditors' report to the members of Equinix (UK) Limited (continued)

Auditors' 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 auditors' 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.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006 and corporate tax law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of results through manual journals or management bias in judgemental areas. Audit procedures performed by the engagement team included:

- Discussions with management which have included consideration of known or suspected instances of non-compliance with laws and regulation and fraud
- Identifying and testing of manual journal entries based on risk criteria such as unusual account combinations
- Review of key judgements and provisions
- Incorporating elements of unpredictability into our audit approach

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Equinix (UK) Limited (continued)

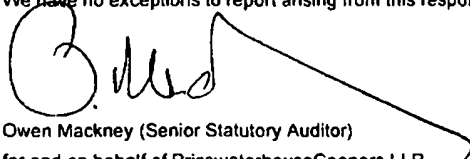
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Owen Mackney (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
30 September 2022

Equinix (UK) Limited

Income Statement
for the year ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Revenue	4	444,374	415,896
Cost of sales		<u>(388,912)</u>	<u>(346,612)</u>
Gross profit		55,462	69,284
Administrative expenses		<u>(17,293)</u>	<u>(17,806)</u>
Operating profit	5	38,169	51,478
Income from subsidiary	28	-	10,000
Interest receivable and similar income	6	-	72
Interest payable and expenses	7	(19,820)	(28,918)
Other non-operating income	8	<u>7,211</u>	<u>1,461</u>
Profit before tax		25,560	34,093
Income tax expense	11	<u>(7,982)</u>	<u>(1,274)</u>
Profit for the year		<u>17,578</u>	<u>32,819</u>

There were no recognised gains and losses for 2021 (2020 - £Nil) other than those included in this statement.

Equinix (UK) Limited

(Registration number: 03672650)

Balance Sheet

as at 31 December 2021

	Note	2021 £ 000	2020 £ 000
Fixed assets			
Goodwill	12	3,237	3,237
Intangible assets	13	6,837	7,909
Property, plant and equipment	14	1,024,813	944,571
Investments	15	54,329	54,329
		<u>1,089,216</u>	<u>1,010,046</u>
Current assets			
Debtors: amounts falling due after more than one year	16	23,174	20,608
Debtors: amounts falling due within one year	16	84,308	88,695
Cash at bank and in hand	17	13,498	31,729
		<u>120,980</u>	<u>141,032</u>
Creditors: Amounts falling due within one year	18	<u>(133,641)</u>	<u>(129,863)</u>
Net current (liabilities)/assets		<u>(12,661)</u>	<u>11,169</u>
Total assets less current liabilities		1,076,555	1,021,215
Creditors: Amounts falling due after more than one year	19	<u>(747,089)</u>	<u>(714,919)</u>
		329,466	306,296
Provisions for liabilities			
Deferred tax liabilities	20	(21,452)	(16,976)
Asset retirement obligations	21	(7,009)	(6,156)
		<u>(28,461)</u>	<u>(23,132)</u>
Net assets		<u>301,005</u>	<u>283,164</u>
Capital and reserves			
Called up share capital	23	20	20
Share premium account	24	70,551	70,551
Other reserves	24	610	347
Retained earnings	24	229,824	212,246
Total equity		<u>301,005</u>	<u>283,164</u>

The notes on pages 22 to 52 form an integral part of these financial statements,

Equinix (UK) Limited

(Registration number: 03672650)

Balance Sheet (continued)
as at 31 December 2021

The financial statements on pages 18 to 52 were approved by the Board of Directors on 30 September 2022 and signed on its behalf by:

Russell Poole

.....
Russell Poole

Director

Date: 30.09.2022

Equinix (UK) Limited

Statement of Changes in Equity
for the year ended 31 December 2021

	Called up share capital (Note 23) £ 000	Share premium account (Note 24) £ 000	Other reserves (Note 24) £ 000	Retained earnings (Note 24) £ 000	Total £ 000
At 1 January 2020	20	70,551	-	179,427	249,998
Profit for the financial year and total comprehensive income	-	-	-	32,819	32,819
Deferred tax related to share based payments	-	-	347	-	347
At 31 December 2020	20	70,551	347	212,246	283,164
Profit for the financial year and total comprehensive income	-	-	-	17,578	17,578
Deferred tax related to share based payments	-	-	263	-	263
At 31 December 2021	20	70,551	610	229,824	301,005

The notes on pages 22 to 52 form an integral part of these financial statements.

Equinix (UK) Limited

Notes to the Financial Statements for the year ended 31 December 2021

1 General Information

Equinix (UK) Limited (the "Company") is a private company limited by share capital incorporated and domiciled in the United Kingdom with a registered address at Masters House, 107 Hammersmith Road, London, England. These financial statements are presented in "Pounds Sterling" (£) because that is the currency of the primary economic environment in which the Company operates.

2 Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"). The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The financial statements have been prepared on the historical cost basis.

Consolidation

The financial statements contain information about the Company as an individual company and do not contain consolidated financial statements of any group of companies. The Company has taken advantage of the exemptions available under section 401 of the Companies Act from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent, Equinix, Inc., a company incorporated in the United States of America.

2.2 Financial reporting standard 101 - reduced disclosure exemptions

Equinix (UK) Limited meets the definition of a qualifying entity under FRS 101.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets' (disclosures when the recoverable amount is fair value less cost of disposal, assumptions involved in estimating recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives, and management's approach to determining these amounts)

Equinix (UK) Limited

Notes to the Financial Statements for the year ended 31 December 2021

2.2 Financial reporting standard 101 - reduced disclosure exemptions (continued)

- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures related to key management personnel remuneration
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

Where required equivalent disclosures are given in the group financial statements of Equinix, Inc. The group financial statements of Equinix, Inc. are available to the public and can be obtained at One Lagoon Drive, Redwood City, CA 94065, USA.

2.3 Going concern

On 31 December 2021, the Company is in a net current liabilities of £12,661 thousands (2020: net current assets of £11,169 thousands) and net assets position of £301,005 thousands (2020: £283,164 thousands).

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current cash reserves and borrowings.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The ultimate parent company has also provided a letter of support to ensure they will not request the repayment of the loans in the next 12 months from the date of the authorisation of the financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

2.4 Foreign currency transactions and balances

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

Equinix (UK) Limited

Notes to the Financial Statements for the year ended 31 December 2021

2.4 Foreign currency transactions and balances (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the income statement within 'Administrative expenses'.

2.5 Revenue recognition

Under the revenue accounting guidance, revenues are recognised when control of these products and services is transferred to its customers, in an amount that reflects the consideration it expects to be entitled to in exchange for the products and services.

The Company designs and operates network neutral datacentres in the United Kingdom. The Company's principal business is to provide network-neutral datacentre and interconnection services, offering premium collocation, traffic exchange and managed IT infrastructure solutions.

Equinix UK Limited derives most of its revenues from recurring revenue streams, consisting primarily of colocation, interconnection offerings, managed infrastructure solutions and other revenues consisting of rental income from tenants or subtenants. The remainder of the Company's revenues are from non-recurring revenue streams, such as installation revenues, professional services, contract settlements and equipment sales.

The Company acts as a sales agent for Equinix (EMEA) B.V. It is also remunerated for other services it supplies including the operation of datacentre facilities.

Revenue is measured at the fair value of the consideration received and represents amounts received for services provided, stated net of discounts, returns and value added taxes.

Recognition of revenue happens when performance obligations have been satisfied thus when the services provided have been transferred to the customer.

Non-recurring installation fees, although generally paid upfront upon installation, are deferred and recognised ratably over the contract term. Professional service fees and equipment sales are recognised in the period when the services were provided. The transaction price is allocated to the separate performance obligation on a relative standalone selling price basis. The standalone selling price is determined based on overall pricing objectives, taking into consideration market conditions, geographic locations and other factors. Other judgments include determining if any variable consideration should be included in the total contract value of the arrangement such as price increases.

The timing of revenue recognition, billings and cash collections result in accounts receivables, contract assets and deferred revenues. A receivable is recorded at the invoice amount, net of an allowance for doubtful account and is recognised in the period when the Company has transferred products or provided services to its customers and when its right to consideration is unconditional.

Equinix (UK) Limited

Notes to the Financial Statements for the year ended 31 December 2021

2.5 Revenue recognition (continued)

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 45 days. In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined that the Company's contracts generally do not include a significant financing component. The Company assesses collectability based on a number of factors, including past transaction history with the customer and the credit worthiness of the customer.

Direct and indirect incremental costs solely related to obtaining revenue contracts are capitalised as costs of obtaining a contract, when they are incremental and if they are expected to be recovered. Such costs consist primarily of commission fees and sales bonuses, as well as indirect related payroll costs. Contract costs are amortised over the estimated period of benefit on a straight-line basis. The Company elected to apply the practical expedient which allows the Company to expense contract costs when incurred, if the amortisation period is one year or less.

A contract asset exists when the Company has transferred products or provided services to its customers, but customer payment is contingent upon satisfaction of additional performance obligations. Certain contracts include terms related to price arrangements such as price increases and free months. The Company recognises revenues ratably over the contract term, which could potentially give rise to contract assets during certain periods of the contract term. Contract assets are recorded in other current assets and other assets in the consolidated balance sheet.

Deferred revenue (a contract liability) is recognised when the Company has an unconditional right to a payment before it transfers products or services to customers. Deferred revenue is included in other current liabilities and other liabilities, respectively, in the consolidated balance sheet.

2.6 Accrued and deferred income

Income is accrued where the provision of services has occurred and invoices have not been generated for that period. Accrued income for contracts commencing during a month is calculated on a daily basis. Income is deferred for the provision of future services which the customer has been billed for but not yet received. Deferred income is then released and recognised in the profit and loss account for the month in which the service is provided.

2.7 Pension costs

The Company operates a defined contribution pension scheme. The assets of this scheme are held separately to those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company in the year.

Equinix (UK) Limited

Notes to the Financial Statements for the year ended 31 December 2021

2.8 Share based payments

Where share options in the shares of the ultimate parent company are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted.

As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period. As all share options are fully vested, there is no further charge in the current year.

Restricted stock unit plan

The Company's ultimate parent issues Restricted Stock Units (RSUs) to certain employees of the Company. RSUs are equity-settled share based payments, measured at fair value at the date of grant. For RSUs with only a service condition or a service and performance condition, fair value is measured using the Equinix, Inc. stock price on the date of grant. For RSUs with a service and market condition, fair value is measured using a Monte Carlo simulation option-pricing model.

The fair value determined at the grant date of the equity-settled share based payments is expensed in the financial statements of the Company on a straight-line basis over the vesting period, based on the ultimate parent's estimate of the number of shares that will eventually vest. The charge recognised in the income statement and statement of comprehensive income reflects the charge from the ultimate parent calculated on this basis.

Employee share purchase plan

The Company's ultimate parent operates an Employee Share Purchase Plan (ESPP) in which all employees of the Company are eligible to participate. These are equity-settled share based payments made at employee election in lieu of a portion of cash compensation. The scheme permits the twice annual purchase of discounted shares in the ultimate parent, based on contributions made by employees via payroll deduction.

The Company is recharged by the ultimate parent undertaking for the undiscounted fair value of shares purchased at date of vesting. The cost to the Company of the discounted share purchase under the ESPP scheme is expensed in the financial statements of the Company on a straight line basis over the vesting period, based on the ultimate parent's estimate of the number of shares that will eventually vest.

Equinix (UK) Limited

Notes to the Financial Statements for the year ended 31 December 2021

2.9 Financial assets and liabilities

The Company's financial assets and liabilities are measured at amortised cost. The financial assets at amortised cost of the entity are trade and other receivables. Financial assets at amortised cost are initially recognised at fair value plus transaction costs less provision for expected credit losses. They are subsequently measured at amortised cost. Trade receivables are arising from goods and services in the ordinary course of business. Trade receivables are classified as current assets if payment is due within one year or less. If not, they are presented as non-current assets.

i) Financial assets

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

the asset is held within a business model whose objective is to collect the contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest.

Impairment for financial assets

The Company makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, management considers factors including the ageing profile of receivables and historical experience.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. For the year 2021, a provision for trade debtors have been booked under the Company's policies and no additional provision was considered material in relation to IFRS 9.

The Company assessed the credit risk on amounts owed by group undertakings as low due to the settlement of balances on a monthly basis and the historical experience of low level write offs.

ii) Financial liabilities

The financial liabilities of the entity are trade and other creditors, loans and amounts owed to group undertakings. Trade and other creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from external suppliers or group companies. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Financial liabilities subsequently measured at amortised cost

Financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Equinix (UK) Limited

Notes to the Financial Statements for the year ended 31 December 2021

2.10 Finance costs

Finance costs are charged to the income statement and statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Interest income

Interest income is recognised in the income statement using the effective interest method.

2.12 Current and deferred taxation

(a) Current tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred taxation

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Equinix (UK) Limited

Notes to the Financial Statements for the year ended 31 December 2021

2.12 Current and deferred taxation (continued)

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

2.13 Intangible assets

Intangible assets represent power rights which comprise initial payments to electricity suppliers which provide the right to receive electrical power to a site.

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Power rights are amortised on a straight line basis over the term of the site lease. The lease term is defined by the initial period of the lease and excludes any options to extend. The average lease term is 20 years.

Customer contracts and relationships acquired are initially recognised at fair value and amortised using linear method on the full life of the contract which varies from contract to contract.

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

2.14 Property, plant and equipment

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Land and buildings	The earlier of the end of economical useful life (5-40 years) or the end of the lease term
Leasehold improvements	Up to the remaining period of the lease
Plant and machinery	3-20 years
Personal property	3-10 years

Equinix (UK) Limited

Notes to the Financial Statements for the year ended 31 December 2021

2.14 Property, plant and equipment (continued)

Construction in progress are not depreciated. Once assets are brought into use, such assets are transferred into the appropriate asset class and depreciated over its expected useful economic life.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement and statement of comprehensive income.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

2.15 Capitalisation of finance costs and interest

Interest incurred on borrowings undertaken to finance assets in the course of construction is capitalised as part of the cost of the asset. Interest is capitalised on the average balance of assets in the course of construction on a monthly basis during the period prior to the asset being placed in service.

2.16 Asset retirement obligations

In accordance with the terms of a lease, the Company may be obligated to remove its specialised machinery and/or buildings from the leased premises at the end of the lease, or to compensate the lessor accordingly, such that the leased space is returned to its original condition. This obligation is evaluated when the Company enters into a lease agreement and key assumptions are reviewed annually. A corresponding asset is also created and depreciated over the period of the lease. To account for the long term nature a discount rate, based upon the incremental borrowing rate at the time the lease is executed, is applied.

2.17 Leases

At the inception of the contract, the Company assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract have changed.

Right-of-use assets

The Company recognised a right-of-use ("ROU") asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

Equinix (UK) Limited

Notes to the Financial Statements for the year ended 31 December 2021

2.17 Leases (continued)

This right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of economical useful life of the right-of-use, or the end of the lease term.

Right-of-use assets are presented within "Property, plant and equipment".

Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If the rate cannot be readily determined, the Company shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payment), less any lease incentives receivables;
- Variable lease payment that are based on index or rate, initially measured using the index or a rate (such as the Consumer Price Index, "CPI", or market interest rate) as at the commencement date;
- Amount expected to be payable under residual value guarantees
- The exercise price of a purchase option if it is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

For contracts that contain both lease and non-lease components, the Company allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Company has elected to not separate the lease and non-lease component for property leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or a rate (such as the Consumer Price Index, "CPI", or market interest rate);
- There is a change in the Company's assessment of whether it will exercise an extension option; or
- There is modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term and low value asset leases

The Company has elected to not recognise the right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less, and leases of low value assets. Lease payments relating to these leases are expensed to profit or loss on a cash basis over the lease term.

Equinix (UK) Limited

Notes to the Financial Statements for the year ended 31 December 2021

2.17 Leases (continued)

Variable lease payments

Variable lease payments that are not based on an index or a rate (such as the Consumer Price Index, "CPI", or a market interest rate) are not included as part of the measurement and initial recognition of the lease liability. The Company shall recognise those lease payments in profit or loss in the period in which the obligation for those payments is incurred.

Discount rate

Since most of the Company's leases do not provide an implicit rate, the Company uses its own incremental borrowing rate ("IBR") on a collateralised basis in determining the present value of lease payments. The Company utilises a market-based approach to estimate the IBR. The approach requires significant judgment.

Therefore, the Company utilises different data sets to estimate IBRs via an analysis of (i) yields on comparable credit rating composite curves; (ii) sovereign rates; (iii) yields on our outstanding public debt; and (iv) historical difference in yields on the curves of our secured and unsecured rated debt. The Company also applies adjustments to account for considerations related to (i) tenor; and (ii) country credit rating that may not be fully incorporated by the aforementioned data sets. The Company used incremental borrowing rates specific to each lease and the rates range between 0.71% (2020: 2.07%) and 12.42% (2020: 12.42%), translating to an average of 3.87% (2020: 4.23%).

2.18 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

2.19 Investments in subsidiaries

Investments acquired with the intention that they will be held for the long term are stated at cost less any provision for impairment. The carrying amounts of the Company's investments is reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication of impairment exists, the assets' recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement and statement of comprehensive income. The recoverable amount of the Company's assets is greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risk specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

Equinix (UK) Limited

Notes to the Financial Statements for the year ended 31 December 2021

2.20 Trade and other receivables

Trade and other receivables are measured at fair value, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and contract assets.

To measure the expected credit losses, trade and other receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

2.21 Cash at hand and in bank

Cash at bank and in hand includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.22 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.23 Provisions

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the income statement and statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Notes to the Financial Statements for the year ended 31 December 2021

2.24 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets (excluding goodwill) that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

3 Critical accounting judgements and key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. Refer to note 2.14 for further information.

(b) Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Refer to note 2.20 for further information.

Equinix (UK) Limited

Notes to the Financial Statements for the year ended 31 December 2021

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

(c) Asset retirement obligations

The Company makes an estimate of costs to return leased space to its original condition at the end of the lease term. The obligation is evaluated when the Company enters into a lease agreement and key assumptions are reviewed annually. Refer to note 2.16 for further information.

(d) Extension options for leases

When the entity has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term. Amount of potential lease payments have not been included in the lease liabilities as it is not reasonably certain the extension option will be exercised. Refer to note 2.17 for further information.

(e) Incremental borrowing rate

Management uses a market-based approach to estimate the IBR applied to its lease liabilities. This requires significant judgement. Refer to note 2.17. Discount rates for further information.

4 Revenue

Revenue arises solely in the United Kingdom attributable to third party customer sales.

	2021 £ 000	2020 £ 000
Rendering of services	444,366	415,848
Sale of goods	8	48
	<u>444,374</u>	<u>415,896</u>

The Company has recognised the following assets and liabilities related to contracts with customers:

	2021 £ 000	2020 £ 000
Current contract assets related to contracts from customers	3,781	2,996
Non-current contract assets related to contracts from customers	19,496	16,232
Current contract liabilities	(9,759)	(9,408)
Non-current contract liabilities	<u>(3,368)</u>	<u>(2,998)</u>

Equinix (UK) Limited

Notes to the Financial Statements
for the year ended 31 December 2021

4 Revenue (continued)

Revenue recognised in relation to contract liabilities:

	2021	2020
	£ 000	£ 000
Revenue recognised that was included in the contract liability balance at the beginning of the period: Installation contracts	9,408	6,848

Assets recognised from costs to fulfil a long term contract:

	2021	2020
	£ 000	£ 000
Asset recognised from costs incurred to fulfil a contract at 31 December	12,120	10,955
Amortisation and impairment loss recognised as cost of providing services during the period	(3,557)	(3,918)

5 Operating profit

The operating profit is stated after charging:

	2021	2020
	£ 000	£ 000
Depreciation of property, plant and equipment	71,373	62,795
Amortisation of intangible assets	1,072	1,006
Foreign exchange gain	(37)	(177)
Auditors' remuneration	123	153

All amounts are recognised in administrative expenses in the Income Statement.

There were no other services (2020: no other services) provided by the Company's auditors.

6 Interest receivable and similar income

	2021	2020
	£ 000	£ 000
Interest income on bank deposits	-	72

Equinix (UK) Limited

Notes to the Financial Statements
for the year ended 31 December 2021

7 Interest payable and expenses

	2021	2020
	£ 000	£ 000
Intercompany interest payable	7,099	14,346
Interest payable on leases	13,978	14,228
Other finance costs	2	189
Finance charges on asset retirement obligations	414	397
Interest capitalised on construction in progress	(1,673)	(242)
	<u>19,820</u>	<u>28,918</u>

8 Other non-operating income

The analysis of the company's non-operating income for the year is as follows:

	2021	2020
	£ 000	£ 000
Profit on disposal of property, plant and equipment	51	837
Finance income	7,160	624
	<u>7,211</u>	<u>1,461</u>

9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

		2021	2020
	Note	£ 000	£ 000
Wages and salaries		26,337	24,966
Social security costs		3,891	3,923
Share-based payment expenses	25	3,304	2,929
Other pension costs	27	1,150	1,049
		<u>34,682</u>	<u>32,867</u>

The average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	2021	2020
	No.	No.
Administration	50	61
Sales and marketing	62	65
Site management	232	222
	<u>344</u>	<u>348</u>

Equinix (UK) Limited

Notes to the Financial Statements
for the year ended 31 December 2021

10 Directors' remuneration

In respect of the highest paid director:

	2021	2020
	£ 000	£ 000
Directors' emoluments	427	413
Company contributions to defined contribution pension schemes	23	14
Share based gains	528	669
	<u>978</u>	<u>1,096</u>

The highest paid director received remuneration of £955 thousands (2020 - £1,082 thousands) and pension contributions of £23 thousands (2020 - £14 thousands).

One of the directors of the Company was remunerated by the Company (2020 - one), and the other two directors were remunerated by Equinix (EMEA) B.V. and was not apportioned to the Company. There were no directors in the year, participating in and accruing benefits under the Company's defined contribution scheme during the year (2020 - nil). The number of directors that exercised share options in the year was one (2020 - one).

11 Income tax

Tax charged/(credited) in the Income Statement:

	2021	2020
	£ 000	£ 000
Current taxation		
Current tax on profits for the year	3,164	6,406
Adjustments in respect of previous periods	79	8,406
Total current tax	<u>3,243</u>	<u>14,812</u>
Deferred taxation		
Adjustments in respect of previous periods	242	(13,505)
Origination and reversal of timing differences - current year	1,861	(33)
Impact of change in UK tax rate	2,636	-
Total deferred taxation	<u>4,739</u>	<u>(13,538)</u>
Tax on profit	<u>7,982</u>	<u>1,274</u>

Notes to the Financial Statements
for the year ended 31 December 2021

11 Income tax (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £ 000	2020 £ 000
Profit before tax	<u>25,560</u>	<u>34,093</u>
Corporation tax at standard rate	4,856	6,478
Effects of:		
Expenses not deductible for tax purposes	2,393	2,097
Income not subject to tax	(1,441)	(2,064)
Adjustments in respect of previous periods	321	(5,108)
Impact of change on deferred tax	2,636	(129)
Impact of lower rate used in the calculation of current tax (19% vs. 17%)	(219)	-
Group relief	<u>(564)</u>	<u>-</u>
Total tax charge	<u>7,982</u>	<u>1,274</u>

Factors that may affect future tax charges

At Spring Budget 2021, the Government announced an increase in the Corporation Tax main rate from 19% to 25% with effect from 1 April 2023. Finance Bill 2021 had its third reading on 24 May 2021 from then it was considered substantively enacted. Therefore, temporary differences expected to unwind before 31 March 2023 have been measured using a rate of 19% while the ones expected to unwind after this date have been measured using a rate of 25%.

On 23 September 2022, it was announced that the corporation tax rate change from 19% to 25% with effect from 1 April 2023 was to be cancelled. This was not substantively enacted at the balance sheet date and therefore the impact of this change is not reflected in the measurement of deferred tax. If the rate change had been substantively enacted prior to 30 June 2022, the impact would have been to reduce the deferred tax liability by £0.3m with a corresponding credit to the income statement.

12 Goodwill

	Total £ 000
Cost	
At 1 January 2021	<u>3,237</u>
At 31 December 2021	<u>3,237</u>
Net book value	
At 31 December 2021	<u>3,237</u>
At 31 December 2020	<u>3,237</u>

Equinix (UK) Limited

Notes to the Financial Statements
for the year ended 31 December 2021

13 Intangible assets

	Power rights £ 000	Contractual customer relationships £ 000	Total £ 000
Cost or valuation			
At 1 January 2021	<u>11,142</u>	<u>4,885</u>	<u>16,027</u>
At 31 December 2021	<u>11,142</u>	<u>4,885</u>	<u>16,027</u>
Amortisation			
At 1 January 2021	6,311	1,807	8,118
Amortisation charge	<u>566</u>	<u>506</u>	<u>1,072</u>
At 31 December 2021	<u>6,877</u>	<u>2,313</u>	<u>9,190</u>
Carrying amount			
At 31 December 2021	<u>4,265</u>	<u>2,572</u>	<u>6,837</u>
At 31 December 2020	<u>4,831</u>	<u>3,078</u>	<u>7,909</u>

Power rights represents amounts paid for the rights to receive electrical power for the Company's datacentres. The remaining amortisation period of the intangible assets is 9 years.

Notes to the Financial Statements

for the year ended 31 December 2021

14 Property, plant and equipment

	Construction in progress £ 000	Land and buildings £ 000	Leasehold improvements £ 000	Plant and machinery £ 000	Personal property £ 000	Total £ 000
Cost						
At 1 January 2021	69,620	443,181	258,401	438,101	8,682	1,217,985
Reclassification	-	205	(205)	-	-	-
Remeasurement	-	634	-	-	-	634
Additions	108,170	7,590	1,917	27,350	1,005	146,032
Capitalisation	(20,971)	3,656	4,867	12,443	5	-
Intragroup transfers	730	-	3,682	-	-	4,412
Disposals	-	(1,729)	-	(5,024)	(625)	(7,378)
At 31 December 2021	<u>157,549</u>	<u>453,537</u>	<u>268,662</u>	<u>472,870</u>	<u>9,067</u>	<u>1,361,685</u>
Depreciation						
At 1 January 2021	-	45,925	68,130	154,015	5,344	273,414
Reclassification	-	6	(6)	-	-	-
Remeasurement	-	(3,659)	-	-	-	(3,659)
Charge for the year	-	21,090	13,736	35,501	1,046	71,373
Intragroup transfers	-	-	849	-	-	849
Disposals	-	(24)	-	(4,456)	(625)	(5,105)
At 31 December 2021	<u>-</u>	<u>63,338</u>	<u>82,709</u>	<u>185,060</u>	<u>5,765</u>	<u>336,872</u>
Carrying amount						
At 31 December 2021	<u>157,549</u>	<u>390,199</u>	<u>185,953</u>	<u>287,810</u>	<u>3,302</u>	<u>1,024,813</u>
At 31 December 2020	<u>69,620</u>	<u>397,256</u>	<u>190,271</u>	<u>284,086</u>	<u>3,338</u>	<u>944,571</u>

Construction in progress include the additions of £108,170 thousands which are mainly related to MA5 IBX that went live in August 2022.

Land and building include assets held under leases which have a net book value of £275,767 thousands (2020 - £289,150 thousands) and related depreciation charge on these assets is £17,713 thousands (2020 - £17,882 thousands).

There has been a reclassification of assets between categories for presentation purposes. The assets affected have equal useful lives and the reclassification does not result in an impact in the depreciation.

Equinix (UK) Limited

Notes to the Financial Statements
for the year ended 31 December 2021

14 Property, plant and equipment (continued)

ROU assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such assets are:

	Note	2021 £ 000	2020 £ 000
Owned assets		749,046	655,421
Right-of-use assets	22	275,767	289,150
Total		1,024,813	944,571

15 Investments

	Investments in subsidiary companies £ 000
Cost or valuation	
At 1 January 2021	54,329
At 31 December 2021	54,329
At 1 January 2021	54,329
At 31 December 2021	54,329
Carrying amount	
At 31 December 2021	54,329
At 31 December 2020	54,329

Details of the subsidiaries as at 31 December 2021 are as follows:

Name of subsidiary	Principal activity	Registered office	Class of shares	Proportion of ownership interest and voting rights held	
				2021	2020
Equinix (UK) Enterprises Limited	Provision of neutral data centre and hosting services	Master House, 107 Hammersmith Road, London, W14 0QH	Ordinary	100%	100%

Equinix (UK) Limited

Notes to the Financial Statements
for the year ended 31 December 2021

16 Debtors

		2021 £ 000	2020 £ 000
Amounts falling due after more than one year	Note		
Contract assets	4	19,496	16,232
Amounts owed by group undertakings		2,963	3,148
Other debtors		693	793
Prepayments		22	435
		<u>23,174</u>	<u>20,608</u>
		2021 £ 000	2020 £ 000
Amounts falling due within one year	Note		
Trade debtors		54,569	62,778
Contract assets	4	3,781	2,996
Amounts owed by group undertakings		19,716	19,759
Other debtors		690	738
Prepayments and accrued income		2,640	2,424
Corporation tax		2,912	-
Total debtors		<u>84,308</u>	<u>88,695</u>

Amounts owed by group undertakings are unsecured, interest free and repayable upon demand.

The Company assessed the credit risk on amounts owed by group undertakings as low due to the settlement of balances on a monthly basis and the historical experience of low level write offs. Credit risks are concluded to be limited. There is no increased credit risk to the point where that it is considered credit impaired.

Trade debtors are stated after provisions for impairment and provision for customer queries of £5,907 thousands (2020 - £9,696 thousands).

For the year 2021, a provision for trade debtors has been booked under the Company's policies and no additional provision was considered material in relation to IFRS 9.

Corporation Tax

Equinix considers whether it is probable that a tax authority will accept an uncertain tax treatment. If it is concluded that it is not probable that the tax authority will accept an uncertain tax treatment, where tax exposures can be quantified, an accrual is based on either the most likely amount method or the expected value method depending on which method management expects to better predict the resolution of the uncertainty.

Equinix (UK) Limited

Notes to the Financial Statements
for the year ended 31 December 2021

16 Debtors (continued)

Corporation Tax (continued)

Accruals can be built up over a long period, but the ultimate resolution of tax exposures usually occurs at a point in time. Given the inherent uncertainties in assessing the outcomes of these exposures, we could, in future periods, experience adjustments to these accruals that have a material positive or negative effect on our results in any particular period. In calculating the UTP accrual, any amounts expected to be settled by Equinix (EMEA) B.V. are excluded from the accrual and recorded in the accounts of Equinix (EMEA) B.V.

It is, however, possible that some of these contingencies may reduce in the future if any tax authority challenge is concluded or matters lapse following expiry of the relevant statutes of limitation, resulting in a reduction in the tax charge in future periods. The corporation tax balance above includes amounts relating to uncertain tax positions.

The Company entered into an indemnity agreement with Equinix (EMEA) B.V. on 30 December 2016. As a result of this indemnity the Company will be reimbursed for the full liability that might result from the uncertain tax position. The reimbursement received under the indemnity will be recognised as a capital contribution when received by the Company.

17 Cash at hand and in bank

	2021 £ 000	2020 £ 000
Cash at bank	13,498	9,624
Other cash and cash equivalents	-	22,105
	<u>13,498</u>	<u>31,729</u>

18 Creditors: Amounts falling due within one year

	2021 £ 000	2020 £ 000
Contract liabilities	9,759	9,408
Trade creditors	15,923	14,973
Amounts owed to group undertaking	55,433	54,129
Interest payable on loans from group undertakings	1,945	262
Taxation and social security	2,631	2,253
Corporation tax	-	1,403
Lease liabilities	16,796	16,488
Value added tax payable	4,683	6,617
Accruals	25,764	23,853
Other liabilities	707	477
	<u>133,641</u>	<u>129,863</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Equinix (UK) Limited

Notes to the Financial Statements
for the year ended 31 December 2021

19 Creditors: Amounts falling due after more than one year

	Note	2021 £ 000	2020 £ 000
Lease liabilities	22	272,943	279,245
Amounts owed to group undertakings		440,794	402,692
Other creditors		3,428	3,428
Contract liabilities	4	3,368	2,998
Accruals		26,556	26,556
		<u>747,089</u>	<u>714,919</u>

Amounts owed to group undertakings include loans of £313.427 thousands (2020 - £318.380 thousands) and £129,312 thousands (2020 - £84.312 thousands). Loan is interest free. However, interest and deferred gain have been recognised due to the zero interest benefit as per disclosure requirements of IFRS 9 Financial instruments.

20 Deferred tax liabilities

Deferred tax assets and liabilities

	2021 £ 000	2020 £ 000
At beginning of year	16,976	30,861
Deferred tax - realised in current year	4,497	(33)
Deferred tax - adjustments in respect of previous periods	242	(14,097)
Share based payments - equity	(263)	245
At 31 December	<u>21,452</u>	<u>16,976</u>

Deferred tax movement during the year:

	At 1 January 2021 £ 000	Credited in income statement in 2021 £ 000	Credited to equity £ 000	At 31 December 2021 £ 000
Accelerated capital allowances	17,442	4,659	-	22,101
Leases	73	32	-	105
Share-based payment	(539)	48	(263)	(754)
Net tax liability	<u>16,976</u>	<u>4,739</u>	<u>(263)</u>	<u>21,452</u>

Equinix (UK) Limited

Notes to the Financial Statements
for the year ended 31 December 2021

20 Deferred tax liabilities (continued)

Deferred tax movement during the prior year:

	At 1 January	Credited in income	Credited to	At 31 December
	2020	statement in 2020	equity	2020
	£ 000	£ 000	£ 000	£ 000
Accelerated allowances capital	31,179	(13,737)	-	17,442
Leases	73	-	-	73
Share-based payment	(391)	(199)	(347)	(539)
Net tax liability	<u>30,861</u>	<u>13,538</u>	<u>(347)</u>	<u>16,976</u>

21 Asset retirement obligations

	2021	2020
	£ 000	£ 000
At 1 January	6,156	6,048
Accretion expenses	414	364
Adjustments	439	(256)
At 31 December	<u>7,009</u>	<u>6,156</u>
Non-current liabilities	<u>7,009</u>	<u>6,156</u>

Asset retirement obligations

In accordance with the terms of leases on datacentre sites, the Company may be obliged to remove its specialised equipment from the leased premises at the end of the lease, or to compensate the lessor accordingly, such that the leased space is returned to its original condition. The provision is expected to be fully utilised at lease termination dates.

Equinix (UK) Limited

Notes to the Financial Statements
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22 Leases

The carrying amount of right-of-use assets classified within property, plant and equipment (Note 14) as at 31 December 2021 is as follows:

	Land and buildings 2021 £ 000	Land and buildings 2020 £ 000
At 1 January	289,150	300,466
Additions	37	1,752
Remeasurement	4,293	4,834
Depreciation	(17,713)	(17,882)
At 31 December	<u>275,767</u>	<u>289,150</u>

The balance sheet shows the following amounts relating to lease liabilities:

	Note	2021 £ 000	2020 £ 000
Lease liabilities			
Current	18	16,796	16,488
Non-current	19	272,943	279,245
Total		<u>289,739</u>	<u>295,733</u>

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December were as follows:

	2021 £ 000	2020 £ 000
Lease liabilities		
Not later than one year	24,420	24,211
Between one year and five years	97,603	95,062
Over five years	386,290	407,463
Total	<u>508,313</u>	<u>526,736</u>

Equinix (UK) Limited

Notes to the Financial Statements for the year ended 31 December 2021

22 Leases (continued)

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2021	2020
	£ 000	£ 000
Depreciation charge of right-of-use assets - Buildings	17,713	17,882
Interest expense	13,978	14,228
Expenses relating to leases of low-value assets	794	1,124

The total cash outflow for leases in 2021 were £28,888 thousands (2020 - £27,465 thousands).

23 Called up share capital

Authorised

	2021		2020	
	No. 000	£ 000	No. 000	£ 000
40,000 (2020- 40,000) Ordinary shares of £1.00 each	40	40	40	40

Allotted, fully paid and called up shares

	2021		2020	
	No. 000	£ 000	No. 000	£ 000
20,002 (2020- 20,002) Ordinary shares of £1.00 each	20	20	20	20

24 Reserves

Share premium account

Share premium represents premium paid in relation to the issued and paid up share capital.

Other reserves

Other reserves represent deferred tax related to share based payments.

Retained Earnings

The account represents cumulative profits or losses, net of dividends paid and other adjustments.

Equinix (UK) Limited

Notes to the Financial Statements for the year ended 31 December 2021

25 Share-based payments

Equinix, Inc. Incentive Plan

The Equinix Incentive Plan was introduced by Equinix, Inc. in the year 2000 and modified in 2001. These plans allow a committee of the Board of Equinix, Inc. to award Share options, Share Appreciation Rights and Restricted Stock Units (RSUs). No Share appreciation rights are awarded to employees of the Company.

Employees of the Company are also eligible to participate in Equinix, Inc.'s 2004 Employee Share Purchase Plan (ESPP), which allows them to purchase shares in Equinix, Inc. at a discounted price.

The share compensation charge set out in Note 9 is analysed as follows:

	2021	2020
	£ 000	£ 000
Charge to statement of profit or loss and other comprehensive income		
Restricted stock units	2,726	2,584
Employee share purchase plan	578	345
	<u>3,304</u>	<u>2,929</u>

Share options in Equinix, Inc.

Options were granted with a fixed exercise price equal to no less than 85% of the fair market value of a common share on the date of the grant. The contractual life of an option is a maximum of 10 years.

No share options have been granted to Company employees since 2007 and no employees have share options at the end of 2014, all options under the scheme expired on 1 October 2014.

Where share options in the shares of the parent company are awarded to employees, the fair value of the options at the date of grant is charged to the Income Statement and Statement of Comprehensive Income over the vesting period.

Restricted Stock Units (RSUs) in Equinix, Inc.

Restricted stock units are granted to key employees and these equity awards generally have only a service condition. Restricted stock units are also granted to executives and these awards generally have a service and performance condition or a service and market condition. To date, any performance conditions contained in an equity award are tied to the financial performance of Equinix, Inc. or a specific region of Equinix, Inc. The probability of meeting these performance conditions are assessed on a quarterly basis. The majority of the equity awards vest over four years, although certain equity awards for executives vest over a range of two to four years.

The valuation of restricted stock units with only a service condition or a service and performance condition requires no significant assumptions as the fair value for these types of equity awards is based solely on the fair value of the Equinix, Inc. stock price on the date of grant. A Monte Carlo simulation option-pricing model is used to determine the fair value of restricted stock units with a service and market condition.

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Notes to the Financial Statements for the year ended 31 December 2021

25 Share-based payments (continued)

Movements in RSUs during 2021 and 2020 are reconciled as follows:

	2021	2020
	No.	No.
RSUs Outstanding 1 January	14,771	17,421
RSUs Granted	7,855	7,151
RSUs Exercised	(7,391)	(7,364)
RSUs Cancelled	(1,421)	(530)
RSUs Transferred	292	(1,907)
RSUs outstanding at 31 December	14,106	14,771

The weighted average contractual life of RSUs outstanding at year end was 28 months (2020 - 28 months).

Employee Share Purchase Plan (ESPP) in Equinix, Inc.

Staff contributions for the purchase of shares through the ESPP are deducted monthly from payroll and used for the purchase of Equinix, Inc. shares at 15% discount fair value (as measured by the lower of the opening and closing share prices for the six-month cycle). The expense of £578 thousands (2020- £345 thousands) represents the 15% discount to the fair value of the shares purchased, which is borne by the Company over the vesting period.

26 Capital commitments

There were capital commitments of £28,631 thousands at 31 December 2021 (2020 - £88,604 thousands).

27 Pension and other schemes

Employees of the Company are eligible to participate in a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The pension charge represents contributions payable by the Company to the fund and amounted to £1,150 thousands (2020 - £1,049 thousands). Contributions payable at the year-end amounted to £Nil (2020 - £Nil).

28 Dividends received

During the year, the Company received no dividend from a Group Company (2020 - £10,000 thousands).

Notes to the Financial Statements for the year ended 31 December 2021

29 Post balance sheet events

Ukraine-Russia War

Equinix stands with the people of Ukraine and fully condemns the actions by the Russian government. We are committed to supporting the sanctions intended for a peaceful resolution while working to do our part in maintaining the global digital infrastructure that supports free and open communication, aids in humanitarian relief and limits unintended consequences to countries and citizens impacted by this conflict.

Aligned with and subject to these objectives, our actions and commitments are:

- While we do not have operations in Russia, we will not make direct or indirect investment in the country until this conflict ends and a government is in place that recognises and honours the rights of other sovereign nations.
- We will not allow Russian customers to place orders for products or services, unless in our review of those orders, they align with the objectives stated above.
- We have suspended all activities and purchasing with and through Russian partners and suppliers.

Whilst we do not have any employees or facilities in Ukraine itself, this is a development that has broader significance in the region. Equinix is continuing to monitor the situation carefully. The safety of our people, vendors and customers remains our primary consideration. For our IBXs, we have substantial contingency plans in place to protect our infrastructure and our global platform of networks and systems, as well as built-in resiliency and redundancy to minimise potential disruptions including back-up energy systems and remote access.

30 Related party transactions

In 2019, Equinix, Inc. entered into a joint venture in the form of a limited liability partnership with GIC Private Limited, Singapore's sovereign wealth fund ("GIC") (the "Joint Venture").

In October 2019, the Company sold the assets and the liabilities related to the two data centers for a total amount of £147,873 thousands of which £29,095 thousands represents the future commitments the company has for future developments on the sites sold. There has been no major developments of the site in 2021 and the amount of future developments remains £26,556 thousands.

Additionally, the Company entered into a leasing agreement with the joint venture for collocation space at the LD13 site. The lease payment made in 2021 amounted to £7,405 thousands (2020 - £7,260 thousands) and at the end of the year, there is no amount due to the Joint Venture.

Aside from the above-mentioned, the Company has no other related party transactions that requires disclosure in the financial statements.

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Notes to the Financial Statements for the year ended 31 December 2021

31 Immediate and ultimate parent undertakings

The immediate and ultimate parent undertaking is Equinix (EMEA) B.V., a company incorporated in the Netherlands, with registered office at Amstelplein 1, 1096 HA Amsterdam. The ultimate parent undertaking and controlling party is Equinix, Inc. a company incorporated in the United States of America.

Equinix, Inc. is the ultimate parent undertaking of the largest and smallest group in which the results of the Company are consolidated. Financial statements of Equinix, Inc. are available from 1 Lagoon Drive, 4th floor, Redwood City, CA 94065, USA.